AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – AUGUST 15, 2018
TOWN COUNCIL WORKSHOP RE: CROSSROAD, LLC TIF – 5:30 P.M.
REGULAR MEETING – 7:00 P.M.

NO NEW BUSINESS SHALL BE TAKEN UP AFTER 10:00 P.M.

Item 1. Call to Order.

Item 2. Pledge of Allegiance.

Item 3. Roll Call.

Item 4. General Public Comments.*

Item 5. Minutes: July 18, 2018 - Regular Town Council Meeting.

Item 6. Adjustment to the Agenda.

Item 7. Items to be signed: a. Treasurer's Warrants.

Item 8. Non Action Items.
a. Presentation on the Public Safety Building.
b. Presentation of the Proposed Financial and Fiscal Policy

***Procedure for Addressing Council** [Posted in Chambers.]

Order No. 18-052, 7:00 p.m. Public hearing and action on the request from the Board of Education, to place on the November 6, 2018, Municipal Ballot, referendum language to create the Greater Sebago Education Alliance (GSEA), ballot question is as follows: *[School Department]*

> *Do you favor the formation of a regional service center pursuant to an Interlocal Agreement for the Greater Sebago Education Alliance Regional Service Center, as approved by the governing bodies of the parties thereto and the Commissioner of the Department of Education*?

Order No. 18-053, 7:00 p.m. Public hearing and action on the new request for a new Junkyard Permit from SVR New England, LP d/b/a Scarborough Recycling, located at 40 Holmes Road [New owner - formerly Scarborough Auto Parts]. *[Town Clerk]*

Order No. 18-054, 7:00 p.m. Public hearing and action on the new request for a Innkeepers License and a Food Handlers License from Giri Portland Mall, Inc. d/b/a Fairfield Inn Portland, located at 2 Cummings Road. [New owner – formerly Portland Ventures, LLC] *[Town Clerk]*

OLD BUSINESS:

Order No. 18-041. Second reading on the proposed amendments to Chapter 601 – the Traffic Ordinance, Section 25.A.1 to eliminate year round parking along a portion of the Black Point Road. *[Ordinance Committee]*

NEW BUSINESS:

Order No. 18-055. First reading and refer to the Planning Board the proposed amendments to Chapter 405 – the Scarborough Zoning Ordinance, Section VI. Definitions – Affordable Housing. *[Housing Alliance Committee]*

Order No. 18-056. Act on the request to authorize acceptance of $1,000.00 or any portion thereof, to be placed in the Asset Forfeiture Account and to authorize the Town Manager to sign any and all necessary documents. [This money is the Police Department's equitable share for its contribution to the investigation of criminal cases]. *[Police Chief]*

Item 9. Standing and Special Committee Reports and Liaison Reports.

Item 10. Town Manager Report.

Item 11. Council Member Comments.

Item 12. Adjournment.

Executive Summary of the Proposed Financial and Fiscal Policy

The proposed Financial and Fiscal Policy has been recommended to the Town Council by the Finance Committee and replaces the following four separate policies:

1. Debt Management Policy
2. Investment Policy
3. Fund Balance Policy
4. Capital Planning Policy

These four policies share a purpose of guiding Town Council decisions in the management and use of tax monies in an efficient, prudent, and thoughtful manner.

The new policy also includes financial health metrics. These metrics will be assessed annually, as described in the policy, to provide the Finance Committee with another way to determine the success of the Town's budgeting process and to aid in decisions regarding future investments and expenditure. Once the policy is adopted by the full Town Council, an easy to read and understand fiscal health dashboard will be created that will be available to Councilors and the public.

Each of the four policies was updated by staff with the assistance of the Town's Financial Advisor Joe Cuetara.

BE IT HEREBY ORDAINED by the Town Council of the Town of Scarborough, Maine, in Town Council assembled, that the Scarborough Financial and Fiscal Policy of the Town of Scarborough, be adopted, as follows:

Town of Scarborough
~~Debt Management~~ Financial and Fiscal Policy

~~The following policy is hereby enacted to standardize the issuance and management of debt.~~

INTRODUCTION

The Town of Scarborough is committed to supporting, and being a significant stakeholder in, a vibrant, engaged, dynamic, and successful community. Central to this commitment is the consistent ability to fund programs and provide services our residents rely on. Debt management, prudent investment, regulation of fund balances, and capital planning all help determine the Town's success in meeting this commitment to the community. ~~The~~ This policy ~~below~~ describes procedures that will be followed in ~~bonding~~ borrowing money, making investments, maintaining fund balance, and planning for capital investments. The policy also establishes fiscal and financial health indicators that will guide budgeting and planning decisions ~~by~~ for both staff and elected officials. By adopting these indicators and committing to use them to guide decision making the Town of Scarborough furthers its promise to our residents to use their tax monies in an efficient, prudent, and thoughtful manner that ensures high quality services and predictable tax rates.

Staff will conduct an annual measurement of the established indicators (see Appendix 1) and will report the findings to the Finance Committee within the first quarter of each calendar year. This assessment will take place within one month of the publication of the Comprehensive Annual Financial Report. None of the indicators found in this policy, alone or in combination, should be used as the sole basis for making decisions on fiscal policy. Rather, they are intended to be early warnings of areas that need further discussion. The policy statements included in this policy have been developed to guide these discussions.

SECTION I. DEBT MANAGEMENT ~~POLICY~~

~~The Town of Scarborough recognizes that one of the keys to sound financial management is a comprehensive Debt Management Policy. These benefits are recognized by bond rating agencies and the development of a Debt Policy is a recommended practice by the Government Finance Officers Association (GFOA). A Debt Policy establishes the parameters for issuing and managing debt. It provides guidelines regarding the timing and purpose for which debt may be issued, presents the types of permissible debt, and the methods of sale that may be used. The Debt Policy should recognize an obligation to fully and timely repay all debt as an essential requirement for entry into the capital markets. Adherence to a Debt Policy helps to ensure that a government maintains a sound financial position and that credit quality is protected.~~

~~The Debt Policy is to be used in conjunction with the operating and capital budgets, the Capital Improvement Program (CIP), and other financial policies. The advantages of a Debt Policy are:~~

- ~~Enhancing the quality of decisions;~~
- ~~Documenting the decision-making process;~~
- ~~Identifying objectives for staff to implement;~~

- ~~Demonstrating a commitment to long-term financial planning objectives; and~~
- ~~Being viewed positively by the bond rating agencies, investment community and taxpayers.~~

PURPOSE

The ~~Debt~~ Policy Statement sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of this policy that (1) the Town obtains financing only when desirable, (2) the process for identifying the timing and amount of debt financing be as efficient as possible (3) obtain and then retain the highest possible credit rating, (4) obtain the most favorable interest rate and other related costs and (5) comply with full and complete financial disclosure and reporting, as required.

Debt financing~~, to~~ includes general obligation bonds, special assessment bonds, temporary notes, lease/purchase agreements, debt guaranteed by the Town, and other Town obligations permitted to be issued or incurred under Maine statute~~,~~ and should only be used to purchase capital assets that will not be acquired from current resources. The useful life of the asset or project needs to equal or exceed the payout schedule of any debt the Town assumes for that project. This allows for a closer match between those who benefit from the asset or project and those that pay for it.

To enhance creditworthiness and prudent financial management, the Town is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to capital planning will be demonstrated through adoption and periodic adjustment of the Town's Capital Improvement Plan (the CIP) and the annual adoption of a multi-year Capital Improvement Budget.

DEFINITIONS

Arbitrage. Arbitrage refers to the rebate amount due the Internal Revenue Service (IRS) where funds received from the issuance of tax-exempt debt have been invested and ~~excess~~ greater interest earnings have occurred unless complying with certain exceptions.

EMMA. Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("MSRB").

General Obligation Bonds. Bonds backed by the full faith and credit of the Town unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements per Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied, without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it. ~~The taxing power may be an unlimited ad valorem tax, usually on real estate and personal property.~~ A special tax rate levied for the Bond & Interest Fund may be used annually to pay for General Obligation debt service. Because it is secured by tax levies, this structure has strong marketability and lower interest costs.

Moral Obligation Bonds. A bond that, in addition to its primary source of security, is also secured by a non-binding covenant that any amount necessary to make up any deficiency in debt service will be included in the budget recommendation made to the governing body, which may appropriate funds to make up the shortfall. The governing body, however, is not legally obligated to make such an appropriation.

Revenue Bonds. Bonds secured by specific revenues to be collected for the project and not by the full faith and credit of the Town. Also known as Non-recourse loans whereby the revenues pledged to pay for debt service are the only revenues available to pay the bonds.

Lease/Purchase Agreements. A ~~legal document~~ financial arragment under which tangible property, such as equipment, property or vehicles, is leased in exchange for a periodic payment, with the option to purchase the property at the end of the leasing period. Many times, these obligations are subject to annual appropriations and are therefore, not statutory debt.

Special Assessment Bonds. Bonds Debt issued to develop capital facilities ~~and~~ or basic infrastructure for the benefit of properties within an assessment district. Assessments are levied on properties benefited by the project. The Town's recourse for non-payment is typically foreclosure on the property and the remaining long-term obligation becomes the Town's direct obligation.

Capital Appreciation Bonds (CABs). A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity. At maturity the investor receives a single payment (the "maturity value") representing both the initial principal amount and the total investment return. CABs typically are sold at a deeply discounted price with maturity values in multiples of $5,000. CABs are distinct from traditional zero coupon bonds because the investment return is considered to be in the form of compounded interest rather than accreted original issue discount. For this reason only the initial principal amount of a CAB would be counted against a municipal issuer's statutory debt limit, rather than the total par value, as in the case of a traditional zero coupon bond, similar to US Savings Bonds.

~~*Temporary*~~ *Bond Anticipation Notes (BANs).* Notes ~~are~~ issued to provide temporary financing, to be repaid by long-term financing. This type of ~~bridge~~ interim financing has a maximum maturity of three years under Maine statute.

ENFORCEMENT

This policy will be enforced by the Town's Finance Director. This Debt Management Policy shall be reviewed by the Finance Director, Town Manager and the Finance Committee at least annually.

IMPLEMENTATION

The Town's Debt Policy shall be implemented by the Finance Director when developing comprehensive debt management guidelines that provides for the following:

- Full and timely payment of principal and interest on all outstanding debt;
- That debt be incurred only for those purposes as provided by State statute;
- Capital improvements should be developed, approved and financed in accordance with the Town Charter and Ordinances and the capital improvement budgeting process;
- The payment of debt shall be secured by the faith~~,~~ and credit ~~and taxing power~~ of the Town, in the case of General Obligation~~,~~; and ~~the~~ [1] by the pledge of ~~specified, limited~~ only specific revenues in the case of Revenue Bonds. The Town shall not pledge any Town revenues to its non-recourse conduit bond financings. Furthermore, the Town has no moral obligation to repay bondholders of conduit financings issued under its authority.
- Principal and interest retirement schedules shall be structured to: (1) achieve a low borrowing cost for the Town, (2) accommodate the debt service payments of existing debt and (3)

respond to perceptions of market demand. Shorter maturities shall always be encouraged to demonstrate ~~that debt is being retired~~ the taxpayer's willingness to repay its obligations at an aggressive pace.

- Debt incurred shall generally be limited to obligations with serial and term maturities (pursuant to State Statute) but may be sold in the form of ~~capital appreciation bonds~~ CABs or other structures if circumstances warrant;
- The average life of the debt incurred should be no greater than the projected average life of the project or assets being financed;
- The Town shall select a method of sale that will maximize the financial benefit to the Town. Such sales can be competitive or negotiated, depending upon the project and market conditions. All methods of sale shall first be subject to Town Council approval.
- Underwriters for negotiated sales should be selected in accordance with the Town's Purchasing Ordinance and the Debt Management Policies and Guidelines developed by the Town. The selection should maximize the quality of services received while minimizing the cost to the Town. Any additions to the underwriting teams shall be subject to Town Council approval. Selected underwriters shall adhere to the ~~Municipal Securities Rule-making Board (~~MSRB~~)~~ and the Securities and Exchange Commission ("SEC") rules and regulations;
- The Town shall maintain good communications with bond rating agencies to ensure complete and clear understanding of the credit worthiness of the Town; and
- Every financial report, bond offering document (the "Official Statement") and the Annual Information and Operating Statement ("AIOS") shall follow a policy of full, complete and accurate disclosure of financial conditions and operating results. All reports shall conform to guidelines issued by the Government Finance Officers Association ("GFOA"), ~~Securities and Exchange Commission (~~SEC~~)~~, and the Internal Revenue Service Code (~~IRS~~ the "Code") to meet the disclosure needs of rating agencies, the MSRB, investors and taxpayers.

Primary responsibility for making debt-financing recommendations rests with the Finance Director with assistance from finance staff. The responsibilities of Town staff shall be to:

- Consider the need for debt financing and assess progress on the current Capital Improvement Budget and any other program/improvement deemed necessary by the Town Manager;
- To review applicable debt ratios as listed in Appendix 1, to ensure that the Town is staying within the guidelines set forth by this policy;
- Review changes in federal and State legislation, and tax or securities law that affect the Town's ability to issue debt and report such findings to the Town Manager as appropriate;
- Review the provisions of ordinances authorizing issuance of General Obligation bonds of the Town, annually;
- Review the opportunities for refinancing existing debt; and,
- Recommend services by a ~~financial~~ municipal advisor, bond counsel, paying agents and other debt financing service providers when appropriate.

In developing financing recommendations, the Town staff should consider:

- Options for interim financing including short-term and inter-fund borrowing, taking into consideration federal and State reimbursements;
- Effects of proposed actions on the tax rate changes and/or user charges;
- Trends in bond market structures;
- Trends in interest rates; and,

- Other factors as deemed appropriate.

Debt is intended to be structured to match projected cash flows, moderate the impact on future property tax levies, and maintain a relatively rapid repayment of principal. The Town will endeavor to repay as much of the initial principal amount within ten years as practicable.

The Town shall use an objective analytical approach to determine whether it desires to issue new General Obligation bonds. Generally, this process will compare ratios of key financial and economic data. The goal will be for the Town to maintain or improve its existing credit rating.

These ratios should include, at a minimum:

- ~~d~~Debt per capita,
- ~~d~~Debt as a percent of Statutory debt limit,
- ~~d~~Debt as a percent of State equalized valuation,
- ~~a~~Annual tax-supported debt service payments as a percent of annual budgeted governmental expenditures, and;
- debt service payments as a percentage of the level of overlapping net debt of all local taxing jurisdictions. A set of ratios to be adopted are listed in Appendix 1, attached.

The decision on whether or not to issue new General Obligation bonds should be based, in part, on (a) costs versus benefits, (b) the current conditions of the bond market, and (c) the Town's ability to issue new General Obligation bonds as determined by the aforementioned benchmarks.

USE OF DEBT FINANCING

The Town shall assess all financial alternatives for funding capital improvements prior to issuing debt. "Pay-as-you-go" financing should be considered before issuing any debt. Pay-as-you-go financing may include: intergovernmental grants from federal, State, and other sources, current revenues and fund balances; private sector contributions; public/private partnership or leases. Debt financing is generally not considered appropriate for any recurring purpose such as current operating and maintenance expenditures. Once the Town determines that pay-as-you-go is not a feasible financing option, the Town may use short-term or long-term debt to finance capital projects or acquire assets.

A. Short-Term Debt and Interim Financing

Short-term obligations may be issued to finance projects or portions of projects for which the Town may issue long-term debt (i.e., it could be used to provide interim financing that eventually would be refunded with the proceeds of long-term obligations). Short-term obligations may be backed with a tax or revenue pledge, or a pledge of other available resources. *Lines of and Letters of Credit* should not exceed one (1) year and, pursuant to the SEC, *Commercial Paper* maturities ~~should~~ may not exceed two hundred and seventy days (270 days).

~~1.~~ *Line and Letter of Credit.* Where their use is judged to be prudent and advantageous to the Town, the Finance Director and Town Manager have the power to enter into agreements with commercial banks or other financial entities for purposes of acquiring Lines of or Letters of Credit that shall provide the Town with access to credit under terms and conditions as specified in such agreements. Any agreements with financial institutions for the acquisition of Lines of or Letters

of Credit shall be approved by the Town Council. Lines of and Letters of Credit entered into by the Town shall be in support of projects contained in the approved (CIP) budget.

2. *Commercial Paper.* The Town may choose to issue Commercial Paper as a source of interim financing for projects contained in the Town's approved CIP plan only after the Finance Director determines that such a financing represents the least-cost interim financing option for the Town. Furthermore, Commercial Paper shall not be issued for Town capital programs unless it is of sufficient economic size as determined by the Town Manager and approved the Town Council.

3. *Lease/Purchase Arrangement.* The Town may choose to enter into a capital lease-purchase arrangement as a source of financing for projects contained in the Town's approved CIP plan after the Finance Director determines that such a financing represents the least cost financing option for the Town. All lease/purchase arrangements shall be obtained through a request for proposal process in accordance with the Town's Purchasing Ordinance, with the bid going to the vendor whose proposal is most advantageous to the Town. Lease/purchase arrangements should not exceed five (5) years unless approved, in advance, by the Town Manager but shall never exceed ten (10) years or the life of the asset, whichever is less.

B. Long-Term Debt (Bonds) – Maturity over one (1) year

General Obligation Bonds. Long-term General Obligation or Revenue Bonds shall be issued to finance significant capital improvements or assets for purposes set forth by voters in bond elections and the (CIP). Additionally, Revenue Bonds may be issued in response to public need without voter authorization. ~~Long-term debt may be incurred for only those purposes provided by State statue.~~ Long-term debt will be incurred in keeping with MRSA Title 30-A, Section 5772 – A municipality may issue general obligation securities for funding or refunding all or part of its debt and for any purpose for which it may raise money.

The Town will use debt financing only when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or users,; in the case of a capital need emergency,; for one-time capital improvement projects; and for equipment purchases, under the following circumstances:

- The project is included in the Town's capital improvement budget and is in conformance with the Town's CIP;
- Disasters requiring emergency funding;
- The project is the result of growth-related activities within the community that require unanticipated and unplanned infrastructure or capital improvements by the Town;
- The project's useful life or the projected service life of the equipment will be greater than or equal to the term of the financing;
- There are revenues sufficient to service the debt, whether from future property taxes, user fees, or other specified and reserved resources, debt supported by user fees, special assessments or special charges are preferred and for the term thereon,
- The debt should be used primarily to finance only capital projects that have a relatively long life (i.e., typically ten (10) years or longer).
- For long-term borrowing, the equipment or project is an item that is purchased and/or constructed infrequently, has an expected useful life of at least five (5) years, and costs in excess of $100,000; and

- For short-term borrowing or lease/purchases, the equipment is an item that is purchased infrequently, has an expected useful life of at least five (5) years, and costs less than $100,000.

Special Assessment Bonds - Tax Increment Financing Districts. The Town shall maintain a watchful attitude over the issuance of special assessment bonds for the benefit of district improvements. The Town's share of any benefit district project may not exceed more than 95% of any proposed costs related to a benefit district. To the extent possible, the developer shall be required to deposit 25% of the costs allocated to the benefit district prior to authorization. In most cases, the debt will have a maximum term of ten (10) years, however, a longer term may be allowed provided it does not exceed the life of the improvements included in the benefit district or State statute (i.e., currently twenty (20) years). The benefit district will be assigned costs such as administration, engineering, financing and legal associated with the formation of the district and issuance of any debt.

Overlapping Debt with Intergovernmental Agencies. The Town will typically not use its debt capacity for projects by entities or other special purpose units of government that have the ability to issue tax-exempt debt. The Town will, annually, determine its proportional share of its portion of outstanding debt of the following agencies: Portland Water District, ecomaine, Portland Water District, Saco-Biddeford Water District, Scarborough Sanitary District and Cumberland County.

The Town may also enter into arrangements with other governmental entities where a portion of the project costs will be reimbursed by the other government. An agreement as to how the project costs will be allocated and reimbursements made must be approved by the governing bodies.

STRUCTURE AND TERM OF DEBT FINANCING

Structure of Debt Obligations. The Town normally issues bonds pursuant to State Statue with a final maturity of no greater than thirty (30) years ~~or less~~ for General Obligation and special assessment bonds. Lease/purchase arrangements should typically be for a period of not more than five (5) years, ~~typically~~. The ~~normal~~ typical structure of General Obligation bonds will result in even principal payments or even principal and interest payments, per project, over the term of the debt. ~~There shall be no "balloon" bond repayment schedules which consist of low annual payments and one large payment of the balance due at the end of the term.~~ There shall always be at least interest paid in the first fiscal year after a bond ~~sale~~ closing. In cases where related revenues may not occur for several years, it may be desirable to capitalize the interest by increasing the size of the issue and deferring the principal payments so that only interest is paid on the debt for the first few years until the project is "placed in service" but, pursuant to State statute, for a period of not greater than five (5) years from the date of issue.

Call Provisions. Call provisions terms and penalties for bond issues if any, will be evaluated based upon then current market conditions.

Competitive Sale. Town debt will typically be issued ~~typically~~ through a competitive bidding process. All ~~bond prices~~ rates shall be computed based on True Interest Cost ("TIC") providing other bidding requirements are satisfied. TIC is defined as the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. ~~at which, as of the date of the bonds, discounts semi-annually, all future payments on account of principal and interest on the bonds to the price bid, not including interest accrued to the date of delivery of the bonds (see appendix 2).~~ Exceptions to this would be bonds issued in part through a grant that ties the remaining monies to a loan (~~i.~~e.g., USDA Rural Development) due to the small size

of the loan making a competitive bid process less than cost effective or other special circumstance ~~such as Advance Refundings~~.

Negotiated Sale. When certain conditions favorable for a competitive sale do not exist ~~and~~ or when a negotiated sale will provide significant benefits to the Town that would not be achieved through a competitive sale, the Town may elect to sell its debt obligations through a private or negotiated sale, upon approval by the Town Council. Such determination may be made on an issue-by-issue basis~~,~~; for a series of issues~~,~~; or for part or all of a specific financing program. The Town Council may provide for the sale of Town debt by negotiating the terms and conditions of the sale, including prices, interest rates, credit facilities, underwriter, underwriting or remarketing fee, and commissions. Examples of such sales include, but are not limited to the following:

- Variable rate long-term obligations that the Town may choose to issue that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities consistent with securities and tax law, State law and covenants of pre-existing bonds, ~~and~~ each depending on market conditions;
- A debt issue so small or large that the number of potential bidders would be too limited to provide the Town with truly competitive bids~~; and~~.
- ~~A debt issue requiring the ability to react quickly to sudden changes in interest rates (ex., Advance Refunding bonds in a volatile or favorable market).~~

Voter Approved Bonds. Per section 907 of the Town Charter: "The Town Council shall submit orders or resolves authorizing the issuance of General Obligation securities of the Town, or the appropriation and expenditure of funds derived solely from municipal revenue sources, or a combination of both, in a principal amount greater than $400,000 for a single capital improvement or item of capital equipment to voter referendum subject to the section 907.1.1 of the Charter as follows: The provisions of this section shall not be applicable to any order or resolve authorizing (i) the refunding of any securities or other obligation of the Town; (ii) the issuance of General Obligation securities, or other direct or indirect obligations, of the Town for streets, sidewalks, or storm or sanitary sewers or other public utilities; or (iii) any construction or financing of improvements or equipment needed as a result of fire, flood, disaster, or other declared emergency. For purposes of this section, the Town Council may by vote of five (5) of its members adopt emergency orders or resolves authorizing construction or financing of improvements or equipment needed as a result of fire, flood, disaster or other emergency and such orders or resolves shall contain a section in which the emergency is set forth and defined; provided, however, that the declaration of such emergency by the Town Council shall be conclusive." (Amended November 5, 2002; effective November 20, 2002).

DEBT ADMINISTRATION AND FINANCING

State Statutory Debt Limits and Exclusions. In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, "No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation,

or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set."

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply "...to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, ~~c~~Chapter 110, ~~s~~Subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt." Please see the Bibliography for the State Statute relating to Municipal Borrowings (Title 30-A, Chapter 223, Maine Revised Statutes, as amended, Municipal Finances, Subchapter 3, Municipal Debt).

Town of Scarborough Local Debt Limits. In accordance with Town Council Order No. 12-37, dated March 21, 2012, the Town of Scarborough shall not incur debt, which would cause its total debt outstanding at any time, for the following to be exceeded for

- School purposes: 5%
- Storm or Sanitary: 4%
- Airport, water & special districts: 1.50%
- Other purposes: 4%, of
- ~~Scarborough's last full State valuation.~~ In no event shall Scarborough incur debt which would cause its total debt outstanding at any time to exceed 8.50% of its last ~~full~~ equalized State valuation.

Capital Improvement Budget. A Multi-Year Capital Improvement Budget shall be prepared and submitted to the Town Council annually. The budget shall provide a list of projects and the means of financing. The budget should cover a five-year period of time. The projects included in the budget should be part of the Town's CIP. Projects must be in either the Capital Improvement Budget or CIP to be authorized for bonding. Major construction projects, which are required to go to voter referendum, shall also be included in the multi-year Capital Improvement Budget.

Bond Fund. Generally, payment of General Obligation bonds and special assessment bonds shall be from the Town's general operating budget. However, in situations where General Obligation bonds are to be paid from user fees, then bond payments should be made from the fund that receives the revenue and be deemed "self- supporting" debt.

Reserve Funds. Adequate operating reserves are important to insure the functions of the Town especially during economic downturns. The Town desires to build a contingency reserve in the General Fund of no less than $1,000,000. Over the next ten (10) years of the date of this policy adoption, the Town will initiate a Committed Fund Balance for working capital sufficient to finance 90 days of operations (3 months) but not to exceed four (4) months of operations. These funds will help to pay for capital and operating costs during revenue-~~short~~ deficient months.

Equipment Reserve Fund. An Equipment Reserve Fund to be set up to fund future capital equipment and will be financed sufficiently to ensure that adequate funds are available to purchase replacement equipment on a timely basis without debt financing. Determination of the amount needed to adequately fund this equipment reserve fund will prepared by the Finance Director and the Town

Manager and approved by the Finance Committee. Complete financing of the Capital Equipment Reserve Fund will be by accomplished within six (6) years of the date of adoption of this policy.

Finance Department. The Finance Department is responsible for the Preliminary and final Official Statements. The Town Clerk is responsible for collecting and maintaining all supporting documentation such as minutes of the Town Council meetings and relevant resolutions and ordinances. The Finance ~~d~~Department will also be responsible for following applicable secondary-market disclosure requirements.

Investments. ~~The b~~Bond proceeds will be invested in accordance with the Town's ~~i~~Investment ~~p~~Policy and applicable federal and State laws. Adherence to the guidelines on arbitrage, if any, shall be followed~~,~~ which, at times, may require that the investment yield be restricted or monitored to adhere with ~~compliance issues of rebate exceptions~~ the Code. In most cases, the investment will be selected to maximize interest with the assumption that the Town will meet the ~~IRS~~ Code's spend-down requirements that allows for ~~an~~ various exemption from arbitrage calculations.

Bond Counsel. The Town will utilize ~~external~~ nationally recognized Bond Counsel for all debt issues. All debt issued by the Town will include a written opinion by Bond Counsel affirming that the Town is authorized to issue the debt, stating that the Town has met all federal and State constitutional and statutory requirements necessary for issuance, and determining the debt's federal and state income tax status. ~~The Town's~~ Bond Counsel will be selected on a competitive basis.

Underwriter's Counsel. Town payments for Underwriters Counsel will be authorized for negotiated sales by the Finance Director on a case-by-case basis depending on the nature and complexity of the transaction and the needs expressed by the Underwriters. Underwriter Counsel will be selected through a process consistent with such undertaking.

~~*Financial*~~ *Municipal Advisor.* The Town may utilize an external ~~Financial~~ Municipal Advisor. The utilization of the ~~Financial~~ Municipal Advisor for debt issuance will be at the discretion of the Finance Director on a case-by-case basis. For each Town bond sale, the ~~Financial~~ Municipal Advisor will provide the Town with information on structure, credit analysis, pricing and ~~underwriting~~ fees for comparable sales by other issuers. The ~~Financial~~ Municipal Advisor will be selected on a competitive basis for a period not to exceed five (5) years, renewable following the competitive basis if selected.

~~*Temporary*~~ *Bond Anticipation or Revenue Anticipation Notes.* Use of short-term borrowing, such as Bond Anticipation or Revenue Anticipation ("~~t~~Temporary ~~n~~Notes"), ~~will~~ may be undertaken until the final cost of the project is known or can be accurately projected. In some cases, projects might be funded with internal funds that will be reimbursed with bond proceeds at a future date should appropriate Declaration(s) of Official Intent be enacted no longer than sixty (60) days after the first disbursement of the temporary funds.

Credit Enhancements – Bond Insurance. Credit enhancement (letters of credit, bond insurance, etc.) may be used if the costs of such enhancements will reduce the debt service payments, or marketability of, ~~on the bonds or if such an enhancement is necessary to market the bonds~~.

Competitive Sale of Debt. The Town, as a matter of policy, should seek to issue its ~~t~~Temporary ~~n~~Notes and General Obligation bonds through ~~a~~ competitive bid sales. In such instances where the Town, through a competitive bidding for its bonds, deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the Town Manager, enter into negotiation for sale of the bonds.

In cases where the circumstances of the bond issuance are complex or out of the ordinary, a negotiated sale may be recommended if allowed by State statute.

REFUNDING OF DEBT

Refunding involves the issuance of new debt whose proceeds are used to repay previously issued (prior but still outstanding) debt. The new debt proceeds ~~may~~ must be used to repay such debt within ninety (90) days (a "Current Refunding"); ~~or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the prior debt at a future time (an Advanced Refunding)~~.

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit from the refunding; the refunding is needed in order to modernize covenants essential to operations and management; to restructure the payment of existing debt. Town staff and the ~~Financial~~ Municipal Advisor shall monitor the ~~bond~~ markets for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the Town will look for a present value (PV) savings of a refunding, to provide, ~~in excess of~~ at least five percent (5%).

Refunding issues that produce a net PV savings of less than three percent (3%) percent will be considered on a case-by-case basis~~. Refunding issues~~; and with negative savings ~~will only~~ may be considered if there is a compelling public policy objective.

Current Refundings:

- Requires that the refunding escrow may not exceed 90 days;
- Unless otherwise justified, an current refunding transaction shall require a PV savings of at least three percent (3%) of the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses;
- Refunded maturities shall not extend beyond the final refunded maturity; and,
- Surplus monies in debt service funds or debt service reserve funds associated with the refunded bond issue may be used as a source of funds for the refunding issue.

~~*Advanced Refundings:*~~

~~Advance refundings result in defeasance of prior debt. Defeasance of debt can be either legal or in-substance. A legal defeasance occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. An in-substance defeasance occurs when debt is considered defeased for accounting and financial reporting purposes, as discussed below, even though a legal defeasance has not occurred. When debt is defeased, it is no longer reported as a liability on the balance sheet; only the new debt, if any, is reported as a liability.~~

~~Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of interest, principal and call premium, if any, of the defeased debt, and the possibility that the debtor will be required to make future payments on that debt is remote. The trust is restricted to owning only monetary assets that are essentially risk-free as to the amount, timing and collection of interest and principal.~~

~~Advance Refundings:~~

1. ~~Requires the refunding escrow duration to exceed 90 days;~~
2. ~~IRS guidelines require that governmental bonds may not be Advance Refunded with tax-exempt bonds more than once. Consequently, the Town Manager and Finance Director will carefully weigh the benefits and opportunity costs of such an action;~~
3. ~~Unless otherwise justified, an advance refunding transaction shall require a PV savings of at least three percent (3%) of the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses;~~
4. ~~Refunded maturities shall not extend beyond the final refunded maturity; and~~
5. ~~Surplus monies in debt service funds or debt service reserve funds association with the refunded bond issue may be used as a source of funds for the refunding issue.~~

CONDUIT FINANCINGS

A Conduit Financing is ~~a financing~~ an arrangement involving a governmental or other qualified agency using its name in an issuance of fixed-income securities for a non-profit organization's ~~large~~ capital project(s). The Town may sponsor conduit financings or qualified Industrial Revenue Bonds for those activities (i.e., economic development, housing, health facilities, etc.) that have a general public purpose and are consistent with the Town's overall service and policy objectives as determined by the Town Council.

All conduit financings must be non-recourse and insulate the Town completely from any credit risk or exposure. They must first be approved by the Town Manager before being submitted to the Town Council for consideration and an Tax Equity and Fiscal Responsibility Act of 1982(TEFRA) Hearing is held. The Town Manager should review the selection of the underwriter, bond counsel and underwriter, require compliance with disclosure and arbitrage requirements, and establish minimum credit ratings acceptable for the conduit debt. Credit enhancement, such as Bond ~~insurance~~ or Direct-Pay Letters of Credit may be required for certain issues.

ARBITRAGE LIABILITY MANAGEMENT

Federal arbitrage legislation is intended to discourage entities from issuing tax-exempt obligations unnecessarily. In compliance with the spirit of this legislation, the Town will not issue obligations except for identifiable projects with good prospects of timely initiation. Temporary ~~n~~Notes and subsequent General Obligation bonds will be issued timely so that debt proceeds will be spent quickly.

It is the Town's policy to minimize the cost of arbitrage rebate and yield restrictions while strictly complying with the law. To further this goal:

- The Town shall maintain investment allocations by source of funds and record pro-rata interest income of any commingled bond funds monthly;
- Project cash flows shall be carefully planned to insure the applicability of rebate exceptions, if feasible;
- Rebate computations, if applicable, ~~should~~ must be performed every five (5) years;
- It is the Town's policy to segregate current arbitrage earnings for future payment or credit, and to enter the amount as a liability on ~~the~~ its books;
- The Town shall report to the IRS, as required by the Code, and ~~shall~~ make rebate payments, if any, as required by federal law; and

- The Town shall structure its financings in such a way as to reduce or eliminate arbitrage rebate liability, wherever feasible.

Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the Town will engage qualified outside consultants to calculate potential arbitrage liability.

LEGAL AND REGULATORY REQUIREMENTS

The Town Manager and Finance Director shall consult and jointly recommend appointment of the Town's ~~b~~Bond ~~c~~Counsel to the Town Council.

The Town's Bond Counsel shall:

- Coordinate activities with the Finance Director to ensure that all securities are issued in the most efficient and cost-effective manner possible;
- Coordinate activities with the Finance Director to ensure that in the opinion of the Town's Bond Counsel, all securities are issued in compliance with the applicable Town, State and federal statutes, regulations, charter and ordinances; and,
- Prepare documents and opinions relating to the issuance of debt and have extensive experience in public finance, securities regulation and tax issues.

CREDIT RATINGS

Rating Agency Relationships. It is the responsibility of the Finance Director to maintain relationships with the rating agencies that assign ratings to the Town's debt. This effort includes providing periodic updates on the Town's financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

Use of Rating Agencies. The Town will typically obtain ~~a~~ rating(s) from Moody's Investors Service and Standard & Poor's Global ~~Rating Agency~~. The Finance Director will recommend whether or not ~~any~~ additional ratings should be requested on a particular financing and which, if any, ~~of the~~ major rating agencies should be asked to provide such a rating.

Rating Agency Presentations. Full disclosure of operations and open lines of communication shall be made to rating agencies used by the Town. The Town Manager, together with the Finance Director and ~~Financial~~ Municipal Advisor, shall prepare the necessary materials for presentation to the rating agencies.

Financial Disclosure. The Town is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, Town departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information and operating data. The Town is committed to meeting the SEC's Rule 15c2-12, secondary disclosure requirements on a timely and comprehensive basis.

Official Statements accompanying debt issues, Comprehensive Annual Financial Reports, (CAFR) and continuous disclosure statements will meet (at a minimum), the standards articulated by the Government Accounting Standards Board (GASB), Government Finance Officers Association (GFOA) and Generally Accepted Accounting Principles (GAAP). The Finance Director shall be responsible for continuing disclosure to EMMA, MSRB ~~and~~ or the SEC and for maintaining compliance with disclosure standards promulgated by State and national regulatory bodies.

What is Continuing Disclosure?

Per the MSRB, "*Continuing Disclosure consists of important information about a municipal bond that arises after the initial issuance of the bond. This information generally would reflect the financial or operating condition of the issuer as it changes over time, as well as specific events occurring after issuance that can have an impact on the ability of issuer to pay amounts owing on the bond, the value of the bond if it is bought or sold prior to its maturity, the timing of repayment of principal, and other key features of the bond. Each bond will have its own unique set of continuing disclosures, and not all types of continuing disclosures will apply to every bond.*

~~*The MSRB's Electronic Municipal Market Access (*~~*EMMA*~~*)*~~ *website publicly displays continuing disclosures that are provided either as required disclosures by municipal issuers and other parties known as "obligated persons" or "obligors" under contractual agreements entered into under Rule 15c2-12 of the* ~~*Securities Exchange Act of 1934 (Exchange Act)*~~ *SEC or as voluntary disclosures by issuers and obligated persons without a contractual obligation to do so. As noted above, these disclosures generally are divided between submissions made to update financial or operating information about the issuer and notices that disclose the occurrence of specific events that may have an impact on the bonds. These disclosures are described below.*" For more information, please refer to the following website:

http://www.emma.msrb.org/EducationCenter/UnderstandingContinuingDisclosure.aspx.

POST ISSUANCE REPORTING AND COMPLIANCE

The Town ~~of Scarborough~~ issues tax-exempt obligations from time to time to finance acquisition of capital assets or various capital improvements. As an issuer of tax-exempt bonds or capital leases, the Town is required, by ~~the Internal Revenue Code of 1986, as amended (~~the Code~~)~~, and various regulations promulgated under the Treasury Regulations to take certain actions subsequent to the issuance of such bonds to ensure the continuing tax-exempt status of ~~the~~ bonds. The Town recognizes that compliance with applicable provisions of the Code and Treasury Regulations is an on-going process, necessary during the entire term of the obligation(s), and is an integral component of the Town's overall debt management. Accordingly, the analysis of those facts and implementation will require on-going monitoring and consultation with Bond Counsel.

Components. The Finance Director and Town Manager approve the terms and structure of "Obligations" executed by the Town. Such Obligations are issued in accordance with State Statute, the Town Charter and Ordinances. Specific post-issuance compliance procedures address the relevant areas described below.

General Procedures. The following guidelines will be used to monitor post-issuance compliance requirements:

1. The Finance Director, will be the person primarily responsible for ensuring that the Town successfully carries out its post-issuance compliance requirements, as required. The Finance Director shall also be assisted by the following entities:
    a. Bond Counsel
    b. ~~Financial~~ Municipal Advisor
    c. Paying Agent
    d. Rebate Specialist

The Finance Director shall be responsible for assigning post-issuance compliance responsibilities to other staff, Bond Counsel, ~~Financial~~ Municipal Advisor, Paying Agent and Rebate Specialist, if any, and utilize such other professional service organizations as are necessary to ensure compliance with post-issuance compliance requirements.

2. The following responsibilities by the Finance Director shall verify that the following post-issuance compliance actions have been taken on behalf of the Town with respect to each issue of tax-exempt obligations:

    a. Ensure that a full and complete record for the principal documents of each the issue has been completed by the Bond Counsel and ~~Financial~~ Municipal Advisor;
    b. Ensure that the Internal Revenue Service (IRS), that all IRS forms 8038 are properly and promptly filed with the IRS within the time limits imposed by Section 149(e) of the Code by Bond Counsel;
    c. Account for the allocation of the proceeds of the tax-exempt bonds to expenditures as required by the Code;
    d. Coordinate receipt and retention of relevant books and records with respect to the investment and expenditures of the issue proceeds from Town and ~~s~~School Department staff;
    e. Identify proceeds of tax-exempt obligations, in consultation with Bond Counsel and ~~Financial~~ Municipal Advisor, that are yield-restricted and monitor the investments of any yield-restricted funds to ensure that the yield on such investments does not exceed the bond yield to which such investments are restricted;
    f. Determine, in consultation with Bond Counsel and ~~Financial~~ Municipal Advisor, whether the Town is subject to the rebate requirements of Section 148(f) of the Code and related Treasury Regulations with respect to each issue of the Town. The Finance Director shall contact a Rebate Specialist, ~~as~~ if required, prior to the fifth anniversary of the date of issuance of each issue and each fifth anniversary thereafter until the obligation has matured to arrange for calculation of the rebate requirements, as needed, to be paid by the Town. If any rebate is required to be paid to the IRS, the Finance Director will file Form 8038-T, along with the required payment.
    g. Shall monitor the use of all financed facilities in order to determine whether private business uses of financed facilities have exceeded the *de minimis* limits set forth in Section 141(b) of the Code (generally no greater than 10% of issue proceeds) that provide special legal entitlements to non-governmental persons.

3. The Finance Director shall collect and retain the following records with respect to each issue of tax-exempt obligations and with respect to the facilities of such obligations:

    a. Audited financial statements of the Town;
    b. Appraisals, surveys, feasibility studies, if any, with respect to the facilities to be financed with issue proceeds;
    c. Trustee and/or Paying Agent statements;
    d. Records of all investments and the gains (or losses) from such investments;
    e. Expenditures reimbursed with the issue proceeds;
    f. Allocation of issue proceeds to expenditures (including cost of issuance) and the dates and amounts of each expenditure (including requisitions, draw down schedules, invoices, bills and cancelled checks as related to each expenditure);
    g. Construction or renovation contracts for financed facilities or projects;

h. Maintain an asset list of all tax-exempt financed depreciable property and sales of tax-exempt financed assets;
i. Arbitrage rebate reports and records of rebate and yield reduction payments, if any;
j. Resolutions or other actions, if any, taken by the Town Council subsequent to the date of issue of the obligations;
k. Formal elections taken with respect to the bonds; and
l. Relevant correspondence relating to such bonds.

The records collected by the Town shall be stored in any format deemed appropriate by the Town and shall be retained for a period equal to the life of the tax-exempt obligations, including the life of any obligations issued to refund obligations, plus three (3) years.

4 In addition to its post-issuance compliance requirements under the Code and Treasury Regulations, the Town has agreed to provide Continuing Disclosure, such as annual financial information and material event notices. The continuing disclosure obligations are governed by the Continuing Disclosure Documents and by the terms of the SEC's Rule 15c2-12 ~~under the Securities and Exchange Act of 1934~~, as amended, and officially interpreted from time-to-time and incorporated as reference herein.

BIBLIOGRAPHY

Maine Revised Statutes Title 30-A Chapter 223, Subchapter 3 Municipal Debt

C:\My Documents\OneTouch Docs\State requirements on Municipal Debt.pdf

Maine Revised Statutes Title 30-A Chapter 223, Subchapter 6 Municipal Borrowings

C:\My Documents\OneTouch Docs\State Municipal Borrowing.pdf

SECTION II. INVESTMENT ~~POLICY~~

~~The following Investment Policy is hereby enacted by the Town Council to standardize the investment procedures of the Town of Scarborough's (the Town) available funds.~~

~~INTRODUCTION~~

~~It is the policy of the Town to invest funds in a manner which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the Town and conforming to all State and local statutes governing the investment of public funds.~~

PURPOSE

The purpose of ~~this~~ the Investment section of the Financial and Fiscal Policy is to establish the investment scope, objectives, delegation of authority, internal controls, standards of prudence, authorized investments and transactions, diversification requirements risk tolerance, safekeeping and custodial procedures, and reporting requirements for the invested funds. The Finance Director shall maintain administrative procedures and internal controls, consistent with this Investment Policy, for the operation of the Town's investment program. Such procedures shall be designed to prevent losses

of public funds arising from fraud, employee error and misrepresentation by third parties, or unauthorized actions by employees of the Town.

DEFINITIONS

Collateral. Securities or property pledged by a borrower to secure payment.

Delivery versus Payment. There are two methods of delivery of securities: Delivery vs. payment ("DVP") and delivery vs. receipt (or "Free Delivery"). ~~Delivery vs. payment~~ DVP is delivery of securities with an exchange of money for securities. Free Delivery ~~vs. receipt~~ is delivery of securities with an exchange of a signed receipt for the securities.

Diversification. Investment funds divided among a variety of securities offering independent returns.

Federal Deposit Insurance Corporation (FDIC). An independent agency created by the Congress to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protections, and managing receiverships.

Liquidity. Assets converted easily and rapidly into cash without a substantial loss of value.

Pooled Investments. Assets from different funds that are invested together.

Portfolio. A Portfolio is a collection of securities and investments held by investors.

~~*Prudent (Prudence).* Investments made with the care, good judgment, skill, careful management and diligence that a prudent person, acting in a similar capacity, and familiar with such matters, would use in the conduct of an enterprise of a comparable nature and with similar aims.~~

Securities. Securities are financial contracts that grant the owner a stake in the asset. Such securities account for most of what is traded in financial markets.

ENFORCEMENT

This policy will be enforced by the Finance Director. This Investment Policy shall be reviewed by the Finance Director, the Town Manager and the Finance Committee at least every three years.

SCOPE

This investment policy applies to all financial assets of the Town accounted for within the Town's Comprehensive Annual Financial Report. These funds include but are not limited to:

- General Fund Operating Funds
- Capital Project Funds
- Special Revenue Funds
- Proprietary Funds
- Permanent Funds (i.e., Cemetery Funds)
- Bond Proceeds
- Enterprise Funds including Tax Increment Financing (TIF) Accounts
- Trust and Agency Funds
- Endowments and Trust Funds
- CDBG Funds

- Escrow or Custodial Accounts

Since many of these funds are pooled for investment purposes, the investment income derived from the pooled investment account will be allocated to the various funds based on their applicable balance.

PRUDENCE

The standard of prudence to be used, for managing the Town's assets, shall be Title 30-A, Section 5718 of the Maine Revised Statutes, as amended, which states:

"All investments made under this subchapter must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment, considering:

- **Safety**: The safety of principal and preservation of capital in the overall portfolio;
- **Maintenance of liquidity**: Maintenance of sufficient liquidity to meet all operating and other cash requirements with which a fund is charged that are reasonably anticipated; and
- **Income**: The income to be derived throughout budgetary and economic cycles, taking into account prudent investment risk constraints and the cash-flow characteristics of the portfolio.

This standard must be applied to the overall investment portfolio of the municipality and not to individual items within a diversified portfolio."

These State standards shall be applied to the Town's overall investment portfolio. Investment Officials acting in accordance with written procedures and this Investment Policy and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner to the Town Manager.

INVESTMENT OBJECTIVES

The primary objectives, in ~~priority~~ order of priority, of the Town's investment activities shall be:

- **Prudence:** All participants in the investment process shall seek to act responsibly as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

- **Safety**: ~~Safety of principal is the foremost objective of the investment program.~~ Investments shall be made by the Finance Director or designee in a manner that seeks to ensure preservation of capital and investment principal in the overall portfolio. The idea of safety is to mitigate credit risk and interest rate risk. To obtain this objective, the Finance Director shall use basic techniques to diversify the investment portfolio. The Finance Director shall utilize the Federal Deposit Insurance Corporation (FDIC) insured bank deposits and/or obtain collateralized investments that guarantee the Town a perfected security interest in the underlying security. Further, the Finance Director shall invest funds only in highly capitalized and highly rated financial institutions.

- **Liquidity**: The Town's investment portfolio will remain sufficiently liquid to enable the Town to meet all operating requirements that might be reasonably anticipated through cash flow analysis. The Finance Director will structure the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands

cannot be anticipated, the portfolio shall maintain assets that can be liquidated without penalty prior to their maturity.

- **Return on Investment**: The Town's investment portfolio shall be designed with the objective of attaining a market rate of return throughout any budgetary and economic cycles and fluctuations, taking into account prudent investment risk constraints and the cash flow characteristics of the Town's portfolio. This objective shall take into account the constraints of the aforementioned safety and liquidity objectives.

DELEGATION OF AUTHORITY

Authority to manage the Town's investment program is derived from Maine Revised Statutes, as amended, Title 30-A, Sections 5706 through 5719, and the Town's Charter. The Town Council delegates the investment of Town funds to the Finance Director. Upon approval of this document, the Finance Director shall prepare written procedures for the operation of the investment program consistent with this investment policy. Such internal procedures shall include delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director will manage all investment or cash management transactions undertaken.

From time to time, investments will be managed through external programs, facilities and professionals. To constitute compliance, these must be managed in a manner consistent with this policy.

ETHICS AND CONFLICTS OF INTEREST

The Finance Director and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or could impair their ability to make impartial investment decisions. Elected Officials, Department Administrators, town and school employees and other municipal officials shall disclose to the Finance Director any material financial interest in financial institutions that conduct business with the Town. Further, they shall disclose any personal financial/investment position that could be related to the performance of the Town's investment portfolio.

PROHIBITED INTEREST

No Town employee shall invest Town funds in any instrument or institution in which he/she has a direct or indirect financial interest, neither shall he/she accept any gift, free services or payment of any kind for performing their duties under this policy.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Finance Director shall maintain a list of financial institutions authorized to provide investment services. No Public deposit shall be made except in a qualified public depository as established by State law. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Finance Director.

SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Town shall be conducted on a ~~"delivery versus payment"~~ DVP basis. Securities will be held by a third party custodian or Trust Department designated by the Finance Director and evidenced by safekeeping receipts and meets or exceeds the minimum risk category classification ~~of the Government Accounting Standards Board (~~GASB~~)~~ standards.

MAXIMUM MATURITIES

To the extent possible, the Town will endeavor to match investments with anticipated cash requirements. Unless matched to a specific process/procedure, the Town will not directly invest in securities maturing more than one year from date of purchase. The Town may, however, collateralize its repurchase agreements using longer investments not to exceed five (5) years.

Special Revenue, Trust, Permanent and Endowments funds may be invested in securities exceeding one year if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

AUTHORIZED INVESTMENTS

The Town of Scarborough is authorized to invest only in the following types of securities:

- Obligations of the United States (U.S.) Government, its agencies and instrumentalities
- Certificates of Deposits and other evidences of deposits at banks
- Prime Commercial Paper
- Repurchase Agreements whose underlying collateral by obligations of the Federal government in amounts equal to the Town's investment.
- Money Market Mutual Funds whose portfolios are secured by obligations of the Federal Government.

DIVERSIFICATION

The Town will diversify its investments by security type and institution. No more than fifty percent (50%) of the Town's total investment portfolio will be invested in a single security type or with single financial institution.

INTERNAL CONTROLS

The Finance Director shall establish a system of internal controls. The internal controls shall be reviewed periodically and completed within the time frame of the annual audit. This review will be conducted by the external auditor during the annual Town Audit. The external auditing firm will be selected by the Council. To provide reasonable assurance that these objectives are met, this review will enhance internal control by assessing compliance with policies and procedures to ensure that the assets of the Town are protected from loss, theft or misuse.

CHECKS AND BALANCES

These guidelines have been established to enhance the integrity and transparency of the Town's internal procedures for investing the Town's funds and accounting for those investments.

The Finance Director and the Deputy Finance Director will be authorized to transact investment business on behalf of the Town. All trade confirmations will be sent directly to the ~~Bookkeeper~~ Accountant where transaction details will be compared and verified against internal records.

ACCOUNTING METHOD

Investments will be carried on the Town books at cost. Interest on securities will be credited to investment income at the time of sale. The values of investment securities will be accrued as of each fiscal year end.

EXTERNAL MANAGEMENT

The Finance Director may contract with a qualified external money management company in order to benefit from portfolio diversification, credit research, full-time portfolio management and economies of scale that are unavailable from Town staff. Any such contract will define and control the risks of the portfolio and establish performance criteria for monitoring and evaluating results.

STATUTORY COMPLIANCE

Nothing in the Town's investment policy shall be read to contravene with State law, Title 30-A ~~M.R.S.A.~~ Sections 5706 through 5719 of the Maine Revised Statues, as amended.

BIBLIOGRAPHY

Maine Revised Statutes Title 30-A Chapter 223, Subchapter 3-A Municipal Investments: http://www.mainelegislature.org/legis/statutes/30-A/title30-Ach223sec0.html

SECTION III. FUND BALANCE ~~POLICY~~

The Fund Balance Policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget.

The Fund Balance Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the Town ~~of Scarborough~~ to be in a strong fiscal position that will allow for better position to weather negative economic trends.

The Fund Balance consists of five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

- **Non-spendable** Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and pre-paids) or funds that legally or contractually must be maintained intact.
- **Restricted** Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

- **Committed** Fund Balance consists of funds that are set aside for a specific purpose by the Council. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- **Assigned** Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the Council. Assigned funds cannot cause a deficit in unassigned fund balance.
- **Unassigned** Fund Balance consists of excess funds that have not be classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.
- **Unrestricted** Fund Balance is the combination of the Committed, Assigned and Unassigned fund balance.

OPERATING BUDGET

The total General Fund Budget, are all budgets, including amendments, as adopted by the Town council. The General Fund Budget shall include all budgets included in funds 1100 and 7100:

Municipal Gross Budget
Education Gross Budget
Adult Learning
Community Services- All Divisions
Capital Equipment
Debt Service
County Assessment

Non-spendable and Restricted Funds. Non-spendable funds are those funds that cannot be spent because they are either:

- Not in spendable form (e.g. inventories and prepaids)
- Legally or contractually required to be maintained intact

It is the responsibility of the Town Manager or their designee, to report all Non-spendable Funds appropriately in the Town's Financial Statements.

Restricted funds are those funds that have constraints placed on their use either:

- Externally by creditors, grantors, contributors, or laws or regulations or other governments
- By law through constitutional provisions or enabling legislation.

It is the responsibility of the Town Manager, or their designee, to report all Restricted Funds appropriately in the Town's Financial Statements.

CLASSIFYING FUND BALANCE AMOUNTS

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last; unless the Town Council has provided otherwise in its commitment or assignment actions.

AUTHORITY TO COMMIT FUNDS

The Town Council has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution by a simple majority vote. The passage of such action must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

AUTHORITY TO ASSIGN FUNDS

Upon passage of the Fund Balance Policy, authority is given to the Town Manager to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the Town Council. The Town Council as the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

UNASSIGNED FUND BALANCE

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

In the event of projected revenue shortfalls, it is the responsibility of the Town Manager to report the projections to the Town Council's Finance Committee on a quarterly basis and will include an outline of recommended Management actions to address any shortfall.

The Town has set a goal, through this Fund Balance Policy, to maintain the level of Unassigned Fund Balance equal to 10.0% of ~~Scarborough's~~ the Town's Operating Budget for the prior fiscal year and to not fall below 8.33% (or 1/12) of ~~Scarborough's~~ the Town's Operating Budget.

Once the Town achieves an unassigned fund balance equal to 10.0% of Scarborough's Operating Budget, any excess above 12% must be assigned by any combination to one of the following:

- Retained in non-spendable and restricted accounts that offset unfunded liabilities, and/or
- Retained in assigned accounts that may be used in future budget cycles as a property tax rate stabilization; available for use during a catastrophic event, and/or
- Funding future capital expenditures and/or projects, and/or
- ~~the~~ Retirement of debt, and/or
- ~~a t~~Taxpayer refund.

In the event that the balance drops below the established minimum level, the Town Council will develop a plan to replenish the fund balance to the established minimum level within two years.

Policy statement: Unrestricted Fund Balance as a Percentage of Revenues: The level of unrestricted fund balance will not be allowed to drop below 8% of annual revenues with a goal of building unrestricted fund balance to 12% of annual revenues.

REPORTING

Annually the Town Manager shall report to the Town Council's Finance Committee the Statement of Activity of all fund balances that will include the beginning year's balances, gross adjustments in and out of each account during the reporting period and final report period ending balances. Such report shall occur following receipt of the audited financial statements.

~~**REPEAL OF PRIOR TOWN COUNCIL FUND BALANCE POLICY.**~~

~~This section repeals the Town Council Fund Balance Policy adopted by the Town Council on September 17, 1997, and as amended on January 20, 2010 and replaces it this document adopted by the Town Council on November 2, 2016.~~

SECTION IV. CAPITAL PLANNING ~~POLICY~~

~~The following policy is hereby enacted to establish the framework for overall capital planning, budgeting and management.~~

~~INTRODUCTION~~

~~The Town of Scarborough recognizes the importance of careful management and planning for the use of its physical assets. The benefit of a capital plan is to provide long term guidelines regarding the location, condition and replacement or improvement of public infrastructure. These guidelines ensure that the capital planning program identify the availability of resources necessary to meet Scarborough's capital needs when they occur. Additionally, this policy will help to ascertain spending priorities early to allow for more deliberate planning and funding. As implemented, this capital planning policy will provide the Town of Scarborough the opportunity to anticipate, not react to, trends and developments critical to the well-being of our citizens. By budgeting large or unique purchases in the capital improvement plan, the operating budget will not be susceptible to spikes within department's budgets.~~

~~Financing the capital plan can include leases, grants, appropriations, reserves and debt financing as defined in the *Debt Management and Fiscal Policy*. The useful life of the asset or project needs to equal or exceed the payout schedule of any debt the Town assumes for that project. This allows for a closer match between those who benefit from the asset and those that pay for it.~~

~~To enhance creditworthiness and prudent financial management, the Town is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to capital planning will be demonstrated through adoption and periodic adjustment of the Town's Capital Improvement Plan (CIP) and the annual adoption of a multi-year Capital Improvement Budget.~~

PURPOSE

As a way of structuring the review and funding of capital improvement projects competing for economic resources, the Town of Scarborough looks at long-term capital planning and budgeting. This policy sets forth comprehensive guidelines for the determination and prioritization of capital asset purchases and improvements. It is the objective of this policy to:

- Determine the physical assets to be renovated or replaced;
- Document the decision-making process;
- Demonstrate a commitment to long-term financial planning objectives;
- Annually prioritize those physical assets to be included in the Capital Improvement Plan;
- Utilize debt financing only when desirable;
- Identify capital planning objectives for staff to implement;

- Understand how the operating budget will be impacted by the completion of the capital project;
- Ensure that the useful life of the asset or project equals or exceeds the payout schedule of any debt the Town assumes for the project. This allows for a closer match between those who benefit from the asset and those who pay for it.

Capital projects may involve the following:

- Purchasing Land
- Constructing new public facilities
- Improving infrastructure (i.e., refurbishing a bridge, resurfacing a street)
- Purchasing major equipment

DEFINITIONS

Public Infrastructure. Infrastructure of the Town of Scarborough to include, land, buildings, parks, streets, bridges, vehicles and equipment, etc.

Capital Budget.
The first year of the capital improvement program with a detailed source of financing for each of the capital projects specified for implementation during the upcoming year with a listing and description of the following four (4) years.

Capital Improvement Program. A listing of the planned capital improvement projects (coupled with expected costs and financing plans of each) for the upcoming five (5) year period, and scheduled according to priorities and timing the CIP. The CIP should be organized between capital projects and capital equipment. In addition to estimated costs, a narrative description of each capital item should be provided.

Capital Improvement Project. A major, nonrecurring expenditure used to expand or improve a government's physical asset, including facilities and infrastructure, that are not consumed within a year but rather have a multi-year life.

Capital Equipment. A major expenditure used to expand or improve a government's equipment, including vehicles, technology, building equipment.

Multi-Year Capital Budget. A process designed to ensure that the longer range consequences of capital budget decisions are identified and reflected in the budget totals and updated annually.

Equipment Replacement Schedule. A detailed systematic schedule of anticipated replacement of all vehicles and major equipment that is customized to each department and is based on industry standards of predicted life expectancy. The replacement schedule is based on the premise that vehicles and equipment should be replaced before major maintenance expenses are incurred and while residual (trade-in) value can be maximized. These schedules shall serve as the basis for the capital equipment portion of the CIP.

IMPLEMENTATION/POLICY MANAGEMENT

The Town's Capital Planning Policy shall be implemented by the Town Manager~~/~~ and the Finance Director when developing comprehensive capital planning management guidelines that provides for the following:

- Departments Administrators to review their physical assets annually;
- Capital improvements should be developed, approved and financed in accordance with the Town Charter and Purchasing Policy and the capital improvement budgeting process;
- Determine which projects need voter authorization;
- Assess financing alternatives for funding capital improvement prior to issuing debt (bonds);
- Determine the funding source for the project being improved (appropriation, bonds, property taxes, grants, etc.).
    - For long-term borrowing, the equipment or project is an item that is purchased and/or constructed infrequently, has an expected useful life of at least five (5) years, and costs in excess of $100,000; and
    - For short-term borrowing or lease/purchases, the equipment is an item that is purchased infrequently, has an expected useful life of at least five (5) years, and costs less than $100,000.
    - Funding by Appropriation: Any capital item can be funded by appropriation, regardless of value.

This policy will be enforced by the Town Manager~~/~~ and the Finance Director. This Capital Planning Debt Management Policy shall be reviewed by the Finance Director~~/~~ and the Town Manager and the Finance Committee at least annually.

CAPITAL IMPROVEMENT BUDGET

A capital budget forces a systematic identification and prioritization of capital projects. This helps to avoid unexpected budget fluctuations and surprises in the operating budget. The goal is to anticipate and plan for most projects involving public facility improvements and major equipment purchases. Thus, a capital budget is the implementation vehicle for adopting a capital improvement project that is part of a long-range capital improvement program.

A multi-year capital improvement budget shall be prepared and submitted to the Finance Committee, separate from the operating budget, annually. The capital budget shall provide a list of projects and the means of financing and cover a five year period of time. The projects included in the capital budget should be part of the Town's capital improvement program. To be considered for bonding, projects must be included in the Capital Improvement Budget as part of the capital improvements or capital equipment. All projects which are required to go to voter referendum, shall also be included in the multi-year Capital Improvement Budget.

PRESERVATION OF EXISTING CAPITAL INFRASTRUCTURE

It shall be the policy of the Town that adequate resources are allocated to preserve existing infrastructure before targeting resources to build new facilities that also have operating and maintenance obligations. Emphasis shall be given to protect historical investments in capital facilities and to avoid embarking on a facility enhancement program, which when couple with the existing facility requirements, the Town cannot afford to maintain.

LONG-RANGE FACILITY PLAN

A long-range facilities plan should be prepared that considers the Town's future needs based on a 20-year outlook. This plan should consider estimated costs and list projects in order of priority. Before new facilities are considered, efforts should be exhausted to modify existing facilities to meet future

needs as well exploration of "partnerships" to minimize capital investment required for construction as well as operations and maintenance.

LIFE-CYCLE EXPENSES

New facilities should be of high quality, low maintenance and least cost. The CIP should emphasize and consider life-cycle costs as a consideration in prioritization. Priority should be given to new facilities that have minimal ongoing maintenance costs as to limit the impact upon both the CIP and the operating budget.

FINANCING OPTIONS FOR CAPITAL BUDGETS

Funding for capital items may come from a number of sources, including, but not limited to: long-term debt (general obligation bonds), leases, reserve funds, grants or direct appropriations.

Voter Approved Bonds
~~Per section 907 of the Town Charter:~~

> ~~The Town Council shall submit orders or resolves authorizing the issuance of General Obligation securities of the Town, or the appropriation and expenditure of funds derived solely from municipal revenue sources, or a combination of both, in a principal amount greater than $400,000 for a single capital improvement or item of capital equipment to voter referendum subject to the section 907.1.1 of the Charter as follows: The provisions of this section shall not be applicable to any order or resolve authorizing (i) the refunding of any securities or other obligation of the Town; (ii) the issuance of General Obligation securities, or other direct or indirect obligations, of the Town for streets, sidewalks, or storm or sanitary sewers or other public utilities; or (iii) any construction or financing of improvements or equipment needed as a result of fire, flood, disaster, or other declared emergency. For purposes of this section, the Town Council may by vote of five (5) of its members adopt emergency orders or resolves authorizing construction or financing of improvements or equipment needed as a result of fire, flood, disaster or other emergency and such orders or resolves shall contain a section in which the emergency is set forth and defined; provided, however, that the declaration of such emergency by the Town Council shall be conclusive. (Amended November 5, 2002; effective November 20, 2002).~~

Reserve Funds (From the Debt Management Policy). Adequate operating reserves are important to insure the functions of the Town especially during economic downturns. The Town desires to build a contingency reserve in the General Fund of no less than $1,000,000. Over the next ten (10) years of the date of this policy adoption, the Town will initiate a Committed Fund Balance for working capital sufficient to finance 90 days of operations (3 months) but not to exceed 4 months of operations. These funds will help to pay for capital and operating costs during revenue-short months.

Equipment Reserve Fund (From the Debt Management Policy). An Equipment Reserve Fund to be set up to fund future capital equipment and will be financed sufficiently to ensure that adequate funds are available to purchase replacement equipment on a timely basis without debt financing. Determination of the amount needed to adequately fund this equipment reserve fund will prepared by the Finance Director and the Town Manager and approved by the Finance Committee. Complete financing of the Capital Equipment Reserve Fund will be by accomplished within six (6) years of the date of adoption of this policy.

REPEAL OF PRIOR TOWN COUNCIL POLICY ACTIONS, AS FOLLOWS:

This section repeals the Town Council Debt Management Policy adopted by the Town Council on March 21, 2012; the Town Council Investment Policy adopted by the Town Council on March 21, 2012; the Town Council Fund Balance Policy adopted by the Town Council on September 17, 1997, ~~and~~ as amended on January 20, 2010 and replaced the document adopted by the Town Council on November 2, 2016 and the Town Council Capital Planning Policy adopted by the Town Council on September 9, 2016 and replaces all Policies with the afore mention Financial and Fiscal Policy adopted by the Town Council on August ? 2018.

APPENDIX 1. RATIOS

Ratios will be calculated and reported to the Finance Committee within the first quarter of each calendar year.

~~*Debt Per Capita*~~
~~Total bonded debt of a municipality, divided by its most recent U.S. Census Bureau population data. A more refined version, called *net per capita debt,* divides the total bonded debt less applicable sinking funds by the total population.~~

1. *Annual Debt Service as a Percentage of Government Budgeted Operating ~~Expenditures~~ Revenues*
Debt service includes principal and interest payments on tax-backed general municipal debt obligations borrowed for capital project expenditures. Debt service payments are examined relative to general operating ~~expenditures~~ revenues including special revenue funds and excluding truly "self-supporting" debt or State Educational Subsidy.

As a fixed cost, debt service can reduce expenditure flexibility and can be a major part of a government's fixed costs. ~~If debt service, as a percent of operating expenditure, is below 10-12 percent, the credit industry views this situation favorably. If it is below 8 percent or exceeds 15 percent, potential risk exists.~~

Policy statement: Debt Service as a Percentage of Annual Revenues: Debt service will be managed with an intent to not exceed 15% of annual revenues and with a goal of keeping this percentage below 12%.

~~*Debt as a Percentage of Statutory Debt Limit*~~
~~This is the maximum amount that a government can borrow. The term especially applies to municipalities; rising above the statutory debt limit may trigger a reduction in a municipality's credit rating.~~

2. *Debt as a Percentage of State Equalized Value.* This ratio is calculated by dividing the amount of ~~outstanding debt (either~~ direct net debt ~~or overall net debt)~~ by the total equalized State ~~Equalized~~ Valuation of the municipality.

Comparing debt to the appraised value provides an indication of the burden that debt places on all property tax owners with our jurisdiction.

Policy statement: Total Debt as a Percentage of equalized State ~~Equalized~~ Valuation: Total debt will be managed to prevent the total debt from exceeding 8.5% of the most recent calculation of state equalized valuation with a commitment to keep total debt below 3% of the most recently calculated full state valuation.

3. *Debt Per Capita.* Total bonded debt of a municipality, divided by its most recent U.S. Census Bureau population data. A more refined version, called net per capita debt, divides the total bonded debt less applicable sinking funds by the total population.

Policy statement: Debt per capita will be assessed every 5 years, changing to every 3 years after 2020, using per capita debt as a percentage of per capita income with a goal of not having this ratio exceed 15%. On an annual basis, debt per capita will be reported as part of the annual review of fiscal health indicators. New debt issuance may be discouraged if the new debt will result in debt per capita exceeding 115%, adjusted for inflation, of base year FY18.

4. *Per Capita Debt as a Percentage of Per Capita Income.* Policy statement: Per Capita Debt as a Percentage of per Capita Income: Per capita General Obligation debt may be managed with the intent to not exceed 15% of the most recent computation by the US Census Bureau or the American Community Survey of Scarborough's per capita annual personal income. In 2015 this value was $40,139 which would limit debt per capita to $6,021.

APPENDIX 2. INDUSTRY STANDARD DEFINITIONS OF NIC AND TIC

NET INTEREST COST (or NIC) is a common method of computing the interest expense to the issuer of bonds, which usually serves as the basis of award in a competitive sale. NIC takes into account any premium and discount paid on the issue. NIC represents the dollar amount of coupon interest payable over the life of a serial issue, without taking into account the time value of money (as would be done in other calculation methods, such as the "true interest cost" method). While the term "net interest cost" actually refers to the dollar amount of the issuer's interest cost, it is also used to refer to the overall rate of interest to be paid by the issuer over the life of the bonds. The formula for calculating the NIC rate is:

$$\frac{\text{Total Coupon Interest Payments} + \text{Discount (or} - \text{Premium)}}{\text{Bond Years}^{(1)}}$$

TRUE INTEREST COST (or TIC) is also known as "Canadian Interest Cost". Under this method of computing the borrowing issuer's cost, interest cost is defined as the rate, compounded semi-annually, necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue securities. TIC computations produce a figure slightly different from the net interest cost (NIC) method since TIC considers the time value of money while NIC does not."

Source: *Glossary of Municipal Securities Terms*, Municipal Securities Rulemaking Board, 1985.
The TIC bid discourages early year's high coupon or later year's deep discount bidding, and is most compatible with compliance with the issuer's concern with present value. Furthermore, this is

currently the most commonly used method for bidding on bond issues.

The time value of money or "Present Value" undertakes computations that are used to determine whether or not a particular investment with a specified future cash flow is a good investment. This is based upon the premise that one dollar paid today is worth more than a dollar paid in future years. Present Value includes evaluating any borrowing where money is paid today over the future stream of such borrowing, to demonstrate the projected future expense. As such, an analysis assigns an implicit time value on money by measuring the effect of foregoing the return from potential future investment of money. In summary, the Absolute Savings are the actual numbers of dollars paid over the life of the issue. Present Value is the actual value today of amounts paid over the life of the issue.

NOTE: [1] A Bond Year is $1,000 of debt outstanding for one (1) year. The number of "bond years" in an issue is equal to the product of the number of bonds (One bond equals $1,000 regardless of actual certificate denomination) and the number of years from the dated date (or other stated date) to the stated maturity. The total number of bond years is used in calculating the average life of an issue and its net interest cost. Computations are often made of bond years for each maturity or for each coupon rate, as well as total bond years for an entire issue. Source: *Glossary of Municipal Securities Terms*, Municipal Securities Rulemaking Board, 1985.

AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – AUGUST 15, 2018
REGULAR MEETING – 7:00 P.M.

Order No. 18-052. Move approval on the request from the Board of Education, to place on the November 6, 2018, Municipal Ballot, referendum language to create the Greater Sebago Education Alliance (GSEA), ballot question is as follows: *[School Department]*

> *Do you favor the formation of a regional service center pursuant to an Interlocal Agreement for the Greater Sebago Education Alliance Regional Service Center, as approved by the governing bodies of the parties thereto and the Commissioner of the Department of Education*?

School Department
Sponsor

Ought to Pass
Recommendation

08/15/18
First Reading/Vote

N/A
Public Hearing

N/A
Second Reading/Final Approval/Vote

Scarborough Board of Education

August 14, 2018

To: Scarborough Town Council

From: Superintendent, Julie R. Kukenberger, Ed. D.

Re: Regional Service Center Referendum; November Ballot

The Scarborough Public School system is seeking to become a partner in a Regional Service Center (RSC) for the purpose of 'developing, managing and providing services or programs' (Title 20-A MRSA Chapter 123, Section 3801) to member districts. Approximately 10 school districts in Cumberland County are planning to become partners in this Regional Service Center (RSC), the Greater Sebago Education Alliance (GSEA).

The purpose of our RSC organization is to improve educational services and increase student achievement through collaborative regional partnerships. Initial plans for collaboration include joint development and implementation of professional learning opportunities and training, recruitment of staff, and cooperative purchasing of food service supplies.

The Greater Sebago Education Alliance Regional Service Center is being created through the formation of an interlocal agreement among the members as required by law. All the necessary steps in the formation of the Regional Service Center have been completed to date:

- The school boards of prospective member school units agreed to attempt to form the Center.
- Representatives of those boards developed an interlocal agreement that outline the details of the powers & duties of the Regional Service Center.
- The interlocal agreement has been approved the school boards of the proposed Regional Service Center.
- The State Commissioner of Education has approved the proposed GSEA Regional Service Center.

The last step in the process is to have voters of the member school units vote to approve the RSC.

Context:

Throughout the past year, the superintendent, and assistant superintendent have been meeting with leaders of other school districts to develop plans for increasing efficiencies and collaborative opportunities in order conserve fiscal resources while also ensuring a high quality education for all of our Scarborough students. The Regional Service Center (RSC) initiative, offered by the Maine Department of Education, and incentivized through additional subsidy in our state funding formula, was an excellent opportunity for us to formalize some of these plans while reaping significant financial benefit. The Greater Sebago Education Alliance, the Regional

Service Center we intend to join, has received DOE approval as a partnership among Scarborough, Brunswick, Gorham, Cape Elizabeth, Portland, South Portland, Westbrook, RSU 14, MSAD 6, and RSU 15.

Benefits:

In addition to the increased purchasing power of such a large collaborative, participating districts will receive an adjustment to their state subsidy in the amount of $46 per student (at the state contribution rate – in our case, 30%) for a total adjustment of $40,461.60. The DOE has promised to increase this incentive to $94 per student for the following year.

Statutory Requirements:

Section 2203 of Title 30-A provides that interlocal agreements must be approved by the governing body of any party to the agreement. As our governing body, the Scarborough School Board unanimously approved our participation as parties to the Interlocal Agreement for the Greater Sebago Educational Alliance (GSEA) Regional Service Center.

Section 3805(3) of Title 20-A also requires the Scarborough School Department to secure voter approval before joining the GSEA Regional Service Center. This section of the law specifically requires that voters (as opposed to the Town Council) approve the Regional Service Center.

The Scarborough School Board is petitioning the Town Council to approve a referendum question for the upcoming November ballot. The question will ask voters to approve SPS's participation in a collaborative partnership with 9 other school districts, developed to increase efficiencies through enhanced purchasing power in procuring certain goods and services. Together, our districts developed a plan for the Greater Sebago Education Alliance, a partnership that will also provide a professional learning community to support the generation of ideas and solutions to continually improve our work.

Referendum Language for Greater Sebago Education Alliance (GSEA):

Do you favor the formation of a regional service center pursuant to an Interlocal Agreement for the Greater Sebago Education Alliance, as approved by the governing bodies of the parties thereto and the Commissioner of the Department of Education?

INTERLOCAL AGREEMENT FOR THE GREATER SEBAGO EDUCATION ALLIANCE REGIONAL SERVICE CENTER

20-A M.R.S. Chapter 123 and 30-A M.R.S. Chapter 115

This Interlocal Agreement is made by and between the **Brunswick School Department**, **Cape Elizabeth School Department**, **Gorham Department of Education**, **Portland Public Schools**, **Scarborough School Department**, **South Portland Department of Education**, **Westbrook School Department**, **Maine School Administrative District No. 6**, **Maine School Administrative District No. 15**, **Regional School Unit No. 5**, and **Regional School Unit No. 14**, all Maine school administrative units acting by and through their governing bodies (collectively, the "Parties"), as follows:

1. **Formation.** Subject to the approval conditions set forth in Section 25, the Parties hereby form a school management and leadership center, also known as a regional service center, under the authority of Title 20-A M.R.S. Chapter 123, §§ 3801 *et seq.* and Title 30-A M.R.S. Chapter 115, §§ *et seq*.

2. **Name.** The name of the school management and leadership center formed pursuant to this Agreement shall be: Greater Sebago Education Alliance (hereinafter, "GSEA").

3. **Purposes.** The purposes of the GSEA shall be to enhance student learning and opportunities and maximize available and desired resources through the establishment of shared regional initiatives.

4. **Administrative Entity.** The GSEA shall be a school management and leadership center within the meaning of 20-A M.R.S. Chapter 123, a political subdivision within the meaning of 5 M.R.S. § 19002(6), a quasi-municipal corporation within the meaning of 30-A M.R.S. § 5701, and a tax exempt governmental entity for purposes of 36 M.R.S. § 1760(2). The Board of Directors is authorized to make any filings and take any other necessary actions to implement the provisions of this Section 4.

5. **Term.** The term of this Interlocal Agreement shall be two (2) years commencing July 1, 2018 and ending June 30, 2020 (the "Initial Term"), subject to extension as follows: The term of this Agreement shall be automatically extended for one additional fiscal year on February 1, 2020 and February 1 of each subsequent fiscal year (each a "Renewal Term" and, together with the Initial Term, the "Term"), unless by February 1 in any year the Board of Directors votes in favor of dissolution and the GSEA is dissolved pursuant to Section 18.B as of the following June 30.

6. **Fiscal Year.** The fiscal year of the GSEA shall begin on July 1 and end on June 30.

7. **Members**. The initial members of the GSEA shall be those Parties to this Agreement whose voters approve the formation of the GSEA pursuant to Section 25 (hereinafter, the "Members"). Other school administrative units may become members pursuant to the requirements of Section 13 ("New Members").

8. **Governing Body – Board of Directors.**

A. The GSEA shall be governed by a board of directors composed of the Superintendent of Schools of each Member, or the Superintendent's designee who shall, in all cases, be an employee of that Member (the "Board of Directors"). Designees shall serve at the pleasure of the appointing Superintendent of Schools.

B. The Board of Directors shall be responsible for all aspects of the GSEA, including without limitation preparing its annual operating budget and establishing, and modifying from time to time, the scope of functions, programs, and services provided by the GSEA.

C. The Board of Directors shall elect a president, vice-president, treasurer, and secretary, and any other officers it deems useful or necessary.

D. The Board of Directors may establish rules of procedure and policies to govern its meetings, provided such rules and policies are not inconsistent with this Agreement or state law.

E. Each Director shall have one vote.

F. A majority of the Directors shall constitute a quorum and, except as otherwise specifically provided in this Agreement, a majority vote of the Directors at a meeting at which a quorum is present shall be required for the Board of Directors to act.

G. A Director is deemed present for establishing a quorum and may participate in a meeting of the Board of Directors by means of remote communication provided that the Director is able to hear and participate in the meeting and to vote on matters under consideration concurrently with the Directors present at the meeting and that the Director's remote communications at the meeting are audible and/or visible to the Directors and members of the public in attendance at the meeting.

H. In the event that there is a vacancy in the position of Superintendent of Schools of any Member, the governing body of that Member may appoint an interim Director until a new Superintendent or acting Superintendent has been appointed.

9. **Functions, Programs, and Services.** The GSEA may make available the following functions, programs, and services:

A. Joint purchasing of food supplies;

B. Joint professional development offerings;

C. Joint substitute teacher recruiting, training, and diversity hiring processes;

D. Joint English Language Learners (ELL) intake processes;

E. Serving as an incubator for new regional programs and services; and

F. Any other regional functions, programs, and services as may be authorized by law and approved by an affirmative vote of two-thirds of the full membership of the Board of Directors.

A regional service center that does not provide at least two functions, programs, and services in at least two of the categories of services set forth in 20-A M.R.S. § 15683-C may lose its eligibility for direct state funding pursuant to 20-A M.R.S. § 3806.

Administration. It is the intent of the Parties that the GSEA be administered by one of the Members pursuant to a contract or memorandum of agreement to be entered into between the Board of Directors and the governing body of that Member. The Board of Directors shall select an Executive Director who may, but is not required to, be an employee of one of the Members by an affirmative vote of two-thirds of the full membership of the Board of Directors. The Board of Directors may alter these administrative arrangements by a vote of two-thirds of the full membership of the Board of Directors. The Executive Director shall:

A. Administer the day-to-day operations of the GSEA;

B. Administer the annual operating budget of the GSEA, including without limitation accounting and auditing requirements related thereto;

C. Acquire and maintain liability and other insurance adequate to cover the GSEA and its operations;

D. Track and record all data, submit all reports, comply with all state and federal reporting requirements on behalf of each Member, and otherwise ensure compliance with the terms and conditions of this Agreement, any charitable or governmental grant agreement that may be secured for the benefit of the GSEA, and any other contract entered into by or on behalf of the GSEA;

E. Adhere to generally accepted accounting principles and annually engage an external auditor to do an independent audit of the GSEA's finances in accordance with 20-A M.R.S. § 3804; and

F. Perform other functions concerning the management of the GSEA as directed by the Board of Directors.

10. **Fiscal Agent.** By agreement between the Board of Directors and the governing body of the Member administering the GSEA, the Member administering the GSEA shall act as the fiscal agent of the GSEA. The fiscal agent shall maintain the accounts of the GSEA including, without limitation, its operating budget accounts; shall contract for, purchase, and hold title to all GSEA equipment and property on behalf of the GSEA; and shall perform any other functions concerning the fiscal management of the GSEA, under the direction of the Board of Directors. All state contributions to the GSEA – including, without limitation, any funds in support of the Executive Director's salary and benefits, student information system costs, and accounting and payroll system costs – shall be paid to the fiscal agent for the benefit of the GSEA. The fiscal agent shall accept, account for, and disburse any such state contributions in accordance with the terms of this Agreement. The Board of Directors may in its discretion alter the provisions for administration of the GSEA and for its fiscal agent.

11. **GSEA Employer**. To the extent the Board of Directors determines that the GSEA requires or benefits from having a Member serve as the employer for some or all of the GSEA's personnel, the Board of Directors may designate the fiscal agent to serve as the employer for the GSEA's personnel. Alternatively, the Board of Directors may designate another Member to serve as the GSEA employer by agreement with the governing body of that Member or may direct that the GSEA employ its own personnel. If a Member serves as the GSEA employer, the Member shall have all authority under applicable law to hire, evaluate, discipline, non-renew, lay off, or terminate employees serving the GSEA. In making such employment decisions, the governing body of the Member shall solicit and consider the recommendations of the Board of Directors.

12. **New Members; Associate Members**.

A. New Members. Any school administrative unit wishing to become a member of the GSEA, and which qualifies as a member pursuant to 20-A M.R.S. § 3802(2), may petition the Board of Directors for membership ("Petitioner"). The Board of Directors may condition membership by imposing additional obligations on the Petitioner and/or limits on the rights and benefits which a Petitioner may receive, including without limitation access to fund balances. The Petitioner and Board of Directors shall negotiate and execute a separate agreement in which the Petitioner agrees to be bound by the terms of this Agreement, subject to any such conditions (the "Membership Agreement"). A Petitioner shall become a member upon approval of the Membership Agreement by the governing body of Petitioner's school administrative unit and by a two-thirds vote of the full membership of the Board of Directors.

B. Associate Members. Municipalities, counties, career and technical regions, public charter schools, and other entities which qualify pursuant to 30-A M.R.S. Section 3802(3) wishing to become a non-voting associate member of the GSEA may petition the Board of Directors for associate membership ("Petitioner"). Associate members shall be permitted to participate in the functions, programs, and services offered by the GSEA on such terms and conditions as may be included in a contract or memorandum of understanding between the GSEA and the associate member. Any petition for associate membership and the proposed contract or memorandum of understanding must be approved by a majority vote of the Board of Directors and the governing body of the Petitioner.

13. **Minimum Member Obligation**. Nothing in this Agreement requires a Member to purchase all of the functions, programs, and services made available to it by the GSEA. A Member may discontinue any purchased functions, programs, and services at the end of a fiscal year upon 90 days' notice to the Board of Directors and thereafter shall no longer be obligated to pay for that function, program, or service. A Member that discontinues purchasing all functions, programs, and services from the GSEA shall no longer be required to continue paying the annual membership fee. A Member that does not continue to purchase at least two functions, programs, and services in at least two of the categories of services set forth in 20-A M.R.S. § 15683-C may lose its eligibility for a regional service center allocation from the Maine Department of Education.

14. **Non-Member Purchasers of Services**. The Board of Directors may, in its sole discretion, offer and provide functions, programs, and services to any school administrative unit, political subdivision, public entity, or nonprofit organization or association that is not a Member ("Service Recipient") provided that the Service Recipient pays all actual costs for the functions, programs, and services plus a supplemental fee, said costs and fee to be determined by the Board of Directors. Priority for any functions, programs, and services offered by the GSEA shall be given to its Members.

15. **Authority and Powers**. The authority and powers of the GSEA shall be as follows provided that the fiscal affairs of the GSEA may be exercised by and through a fiscal agent:

A. Organizational Powers. The GSEA shall have the power and authority to provide functions, programs, and services in accordance with the terms of this Agreement.

B. Contracts. The Board of Directors is authorized to enter into contracts, leases, and lease purchase agreements on behalf of the GSEA.

C. Employment of Personnel. The Board of Directors is authorized to employ personnel to carry out the purposes of this Agreement.

D. Personal Property. The Board of Directors is authorized to hold and dispose of personal property in the name and on behalf of the GSEA for purposes of this Agreement.

E. Expenditures. The Executive Director, under the direction of the Board of Directors, is authorized to expend funds in accordance with the approved GSEA budget.

F. Investment of Funds. The Executive Director, under the direction of the Board of Directors, is authorized to invest GSEA funds on behalf of the GSEA in accordance with 30-A M.R.S. §§ 5706-5719.

G. Reserve Funds; Contingency Funds. The Board of Directors is authorized to establish, maintain, and expend funds from a reserve fund or contingency fund.

H. Disposition of Property and Indebtedness. The Board of Directors is authorized to dispose of any personal property, including by sale or lease, transferred to or from or administered by the GSEA. The Board of Directors is not authorized to assume, incur, or dispose of any indebtedness in the name of the GSEA.

I. Purchase of Goods and Services. The Board of Directors is authorized to purchase goods and services.

J. Acceptance of Gifts and Grants. The Board of Directors is authorized to accept conditional and unconditional gifts and grants, outright or in trust. Conditional gifts requiring ongoing commitment of funds must be authorized a two-thirds vote of the Board of Directors at a meeting at which a quorum is present.

K. Acceptance and Expenditure of State and Federal Funds. The Board of Directors is authorized to accept funds from state, federal, and other sources.

L. Policies. The Board of Directors is authorized to adopt administrative policies including, without limitation, purchasing and procurement policies and conflict-of-interest policies, provided any such policies do not conflict with the terms of this Agreement or applicable state or federal law.

M. No Authority to Borrow. The Board of Directors shall have no authority to borrow funds in anticipation of the Members' payment of their shares of the GSEA budget.

N. No Eminent Domain Powers. Notwithstanding 20-A M.R.S. § 3802(7), the Parties hereto do not delegate their respective eminent domain powers to the GSEA.

O. No Bonding Authority. Notwithstanding 20-A M.R.S. § 3802(12), the Board of Directors shall have no authority to issue bonds or notes for school construction purposes.

P. No Transfer of Responsibility for Provision of a Free Public Education. This Agreement does not transfer to the GSEA any school administrative unit's responsibility for providing the opportunity of a free public education to each of its students or a free, appropriate education to each of its students with a disability as required by Title 20-A of the Maine Revised Statutes or by federal law.

16. Fiscal Operation; Cost Sharing.

A. Funding Sources. The activities of the GSEA may be financed from any of the following sources:

i. State subsidy;

ii. Member assessments;

iii. Fees collected from Members, Associate Members, and non-Member Service Recipients for services provided;

iv. Donations, charitable or governmental grants, or similar funding sources, as the Board of Directors deems appropriate; and

v. Any other funding source or miscellaneous revenue approved by the Board of Directors.

B. Annual Operating Budget. Except as provided in Section 17(G) ("Transition Plan for FY 2019"), by February 1 of each year, the Board of Directors shall prepare and approve, by a two-thirds vote of the Board of Directors at a meeting at which a quorum is present, an annual operating budget to fund the GSEA for the following fiscal year. The Board of Directors shall consult with the Executive Director in preparing the budget, and shall provide the final budget to each Member. The budget shall include:

i. All anticipated revenues, as determined by the Executive Director and approved by the Board of Directors;

ii. All costs of operating the GSEA as determined by the Executive Director and approved by the Board of Directors, set forth in separate articles that are consistent with the appropriate articles in the cost center summary budget format of 20-A M.R.S. § 1485(1)(A).

In the event that the Board of Directors fails to approve an annual budget by February 1, the Executive Director shall call an emergency meeting of the Board of Directors to be held no later than February 15, at which an annual budget must be approved.

C. Budget Allocation and Assessment.

i. The Board of Directors shall assess an annual membership fee on each Member and may assess an annual service allocation fee based on each Member's use of and participation in the functions, services, and programs provided by the GSEA as determined by the Board of Directors. The annual membership fee and the annual service allocation fee shall not be assessed against those Members that have elected not to purchase any functions, programs, and services from the GSEA pursuant to Section 14 ("Minimum Member Obligation"). This cost-sharing arrangement may be modified by October 1 of any year for the following fiscal year by an affirmative vote of two-thirds of the full membership of the Board of Directors.

ii. By January 30 of each year, each Member shall be assessed a membership fee and an annual service allocation fee for the following fiscal year. Unless otherwise provided in a Board of Directors' policy, the Members shall pay their respective membership and service allocation fees to the GSEA in two semi-annual installments in July and January of each fiscal year.

iii. After taking into account other revenues, the annual membership fee of each Member shall be in such an amount as to provide the GSEA with sufficient funds to operate during the fiscal year after taking into account other sources of anticipated revenue including state subsidy and anticipated service allocation fees.

D. Expenditure of Funds; Balanced Budget. All funds of the GSEA may be used by the Board of Directors in a manner consistent with this Agreement, any applicable grant agreements, and state and federal regulations. GSEA fund balances may, at the discretion of the Board of Directors (i) be used to reduce the operating costs of the GSEA; (ii) be accrued in reserve and contingency funds; or (iii) be equitably credited or rebated to each Member. Anticipated carryover funds at the end of a fiscal year may be returned to the GSEA to support its continued growth and reduce Member costs in succeeding fiscal years. To maintain a balanced budget, the GSEA shall return any funds in excess of the anticipated carryover funds to its Members in equitable shares per Member.

E. Invoices; Payments Due. The Board of Directors shall determine the process, schedules, and deadlines related to invoicing and payments due (including for membership and service allocation fees) consistent with this Agreement and applicable laws and rules.

F. State Subsidy. A regional service center may lose its eligibility for direct state funding pursuant to 20-A M.R.S. §3806 if it does not provide at least two functions, programs or services in at least two of the categories set forth in 20-A M.R.S. § 15683-C.

G. Transition Plan for FY 2019. Notwithstanding Section 17.B ("Annual Operating Budget"), the GSEA budget for Fiscal Year FY 2018-2019 shall be the budget attached hereto as Schedule A.

17. Withdrawal; Termination; Dissolution; Transfer.

A. Withdrawal. Any Member may withdraw from the GSEA effective at the end of a fiscal year, provided that the withdrawing Member satisfies applicable state law (including without limitation 20-A M.R.S. § 3802(13)) and gives written notice to the Board of Directors not later than November 1 preceding the end of a fiscal year. The Director representing the withdrawing Member shall enter into a withdrawal agreement with the Board of Directors on terms acceptable to the Board of Directors. Any withdrawal agreement involving the withdrawal of a Member must be consistent with the following conditions and understandings:

i. The Director representing a withdrawing Member shall be recused from participating in or voting as a Director on any matter relating to the withdrawal from the date that written notice of the withdrawal is provided to the Board of Directors.

ii. The Board of Directors and the Director representing the withdrawing Member shall in good faith negotiate a withdrawal agreement that allocates an equitable share of the GSEA's assets and liabilities to the withdrawing Member.

B. Dissolution. The GSEA may be dissolved by a majority vote of the full Board of Directors and approval of the dissolution in accordance with the requirements of applicable state law (including without limitation 20-A M.R.S. § 3802 (14)). Prior to dissolution, the Directors, by written agreement, shall make suitable provision for the equitable division among the Members of the assets and liabilities of the GSEA.

C. Transfer. Upon a majority vote of the Board of Directors, a Member may transfer to another regional service center whose board of directors has adopted a vote to approve the transfer on terms acceptable to the Board of Directors and the transferring Member. Prior to any such transfer, the Board of Directors of the GSEA, the transferring Member, and the receiving regional service center shall enter into a transfer agreement making suitable provision for the transition of governance and other matters related to the GSEA, including the equitable division and/or transfer of the assets and liabilities of the GSEA.

D. Termination of Participation of Member for Cause. The participation of a Member in the GSEA may be terminated for cause upon the failure of the Member to conform to the terms of this Agreement or any statutory requirements applicable to interlocal agreements or school management and leadership centers, including without limitation failure to pay the Member's budget assessment. Prior to any such termination, the Board of Directors shall provide the nonconforming Member with a written notice of termination for cause and a 30-day opportunity to cure. If the nonconforming Member fails to cure the nonconformity within the 30-day cure period, the Board of Directors shall prepare a plan for termination in accordance with the provisions of Section 18.A.ii (except that any reference to the withdrawing party therein shall mean the nonconforming Member). The nonconforming Member's participation in the GSEA and status as a Member to this Agreement may then be terminated by a vote of a majority of the full membership of the Board of Directors, excluding the Director representing the nonconforming Member. The termination of a nonconforming Member's participation shall become effective as of the end of the then current fiscal year.

18. Dispute Resolution. Any dispute arising out of or relating to this Agreement, shall be resolved as follows:

A. Negotiation. The parties to the dispute shall negotiate in good faith and attempt to resolve any dispute, controversy, or claim arising out of or relating to this Agreement ("Dispute") within 30 days after the date that an aggrieved Member has given written notice of such Dispute to the Board of Directors.

B. Mediation. If the Dispute has not been resolved within 30 days, any party may serve written notice on the other parties to the dispute of a request for non-binding mediation. The mediation shall be conducted in Maine by a mediator mutually agreeable to the Director representing the aggrieved party and the Directors representing the other parties to the dispute and shall not exceed one full day or two half days in length, and shall be completed within 90 days from the date of receipt of a request for mediation. The aggrieved party shall be responsible for the costs of the mediator. In the event that the aggrieved party and the Director(s) representing the other party or parties to the dispute are unable to agree on a mediator within 14 days, or to resolve the dispute through mediation

within 90 days, the Members and the GSEA reserve the right to file a civil action in a court of competent jurisdiction located in Cumberland County, Maine.

C. Performance During Dispute. Unless otherwise directed by the Board of Directors, the Members shall continue performance under this Agreement while matters in dispute are being resolved.

19. **Insurance**. Each Member, Associate Member, and non-Member Service Recipient shall be responsible for obtaining and maintaining insurance adequate to protect itself from the risks, if any, related to this Agreement.

20. **No Exclusivity**. Nothing in this Agreement shall obligate any Party to any exclusive relationship with any other Party or Parties, the GSEA, or the Board of Directors; nor shall it prevent or limit any Party's participation in any other plan, program, agreement, or arrangement for functions, programs, or services; nor shall it impair any rights that any Party may have under any other plan, program, agreement, or arrangement of any kind. For the avoidance of doubt, nothing in this Agreement shall preclude the Parties or any Members from entering into an interlocal agreement to join another school management and leadership center or establish any other similar joint venture.

21. **Amendment**. This Agreement may be amended by a two-thirds affirmative vote of the full membership of the Board of Directors. In the event of the addition, withdrawal, transfer, or termination of participation of a Member, the Board of Directors shall amend this Agreement accordingly.

22. **Applicability to Successor Parties**. This Agreement shall be binding upon any successor of each Member. If, however, a municipality withdraws from a Member pursuant to applicable state law, this Agreement shall be binding upon only the Member as it exists after the effective date of withdrawal and shall not be binding upon any municipality that has withdrawn or on any school administrative unit formed by or joined by the withdrawing municipality, unless such a municipality or school administrative unit becomes a Member pursuant to Section 13.A ("New Members").

23. **Miscellaneous**. This Agreement shall be interpreted, governed, construed, and enforced in accordance with the laws of the State of Maine. This Agreement contains the entire agreement between the Parties in relation to its subject matter, and there are no other agreements or understandings, oral or otherwise, between the Parties at the time of execution of this Agreement. If any provision(s) of this Agreement is determined to be invalid or unenforceable in whole or in part for any reason, such provision(s) shall be severed and the Parties shall negotiate in good faith to amend this Agreement so as to effect the original intent of the Parties as closely as possible. The remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the full extent permitted by law. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same Agreement.

24. Approval Conditions, Effective Date, and Members.

A. Approval Conditions. Pursuant to 20-A M.R.S. §§ 3805(2) and (3), this Agreement is subject to the following conditions:

i. This Agreement must be approved by the Commissioner of the Maine Department of Education; and

ii. This Agreement shall be submitted to the voters of each Party that is a school administrative district or a regional school unit at its annual school budget meeting, at a special district meeting, or at a referendum; to the voters of each Party that is a municipal school unit with a town meeting form of government at a town meeting or referendum; and to the voters of each Party that is a municipal school unit with a charter form of government at a town meeting or referendum in accordance with the requirements of the charter.

B. Members and Effective Date. If this Agreement is approved by the voters of at least two Members on or before June 30, 2018, the GSEA shall be formed with an effective date of July 1, 2018 (the "Effective Date") provided that any other Party to this Agreement may then join the GSEA as a Member if this Agreement is approved by the voters of that Party by November 30, 2018. If this Agreement has not been approved by the voters of at least two Parties by June 30, 2018, it may then be approved by the voters of two or more Parties by November 30, 2018, in which case the GSEA will be formed with an effective date of December 1, 2018.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned Parties have caused this Interlocal Agreement to be signed on their behalf by their duly authorized representatives who, by their signatures below, attest that they have the power and authority to bind their respective Party.

TOWN OF BRUNSWICK,
A MUNICIPAL SCHOOL UNIT ACTING BY
AND THROUGH ITS SCHOOL COMMITTEE

_____ _____
Joy Prescott Date
Chair of the School Committee

TOWN OF CAPE ELIZABETH, A MUNICIPAL
SCHOOL UNIT ACTING BY AND THROUGH
ITS SCHOOL COMMITTEE

_____ _____
Susana Measelle Hubbs Date
Chair of the School Committee

TOWN OF GORHAM,
A MUNICIPAL SCHOOL UNIT ACTING BY
AND THROUGH ITS SCHOOL COMMITTEE

_____ _____
Darryl Wright Date
Chair of the School Committee

CITY OF PORTLAND,
A MUNICIPAL SCHOOL UNIT ACTING BY
AND THROUGH ITS BOARD OF EDUCATION

_____ _____
Anna Trevorrow Date
Chair of the Board of Education

TOWN OF SCARBOROUGH,
A MUNICIPAL SCHOOL UNIT ACTING BY
AND THROUGH ITS SCHOOL COMMITTEE

_____ _____
Donna Beeley Date
Chair of the Board of Education

CITY OF SOUTH PORTLAND,
A MUNICIPAL SCHOOL UNIT ACTING BY
AND THROUGH ITS BOARD OF EDUCATION

Mary House — Date
Chair of the Board of Education

CITY OF WESTBROOK,
A MUNICIPAL SCHOOL UNIT ACTING BY
AND THROUGH ITS SCHOOL COMMITTEE

Jim Violette — Date
Chair of the School Committee

MAINE SCHOOL ADMINISTRATIVE
DISTRICT NO. 6

Lester R. L. Harmon — Date
Chair of the School Board

MAINE SCHOOL ADMINISTRATIVE
DISTRICT NO. 15

Tina Martell — Date
Chair of the School Board

REGIONAL SCHOOL UNIT NO. 5

Michelle Ritcheson — Date
Chair of the School Board

REGIONAL SCHOOL UNIT NO. 14

Diana Froisland — Date
Chair of the School Board

APPROVED BY THE COMMISSIONER,
MAINE DEPARTMENT OF EDUCATION

Robert G. Hasson, Jr. Date

INTERLOCAL AGREEMENT FOR THE
GREATER SEBAGO EDUCATION ALLIANCE REGIONAL SERVICE CENTER

SCHEDULE A

FISCAL YEAR FY 2019 GSEA BUDGET

EXPENDITURES, CARRYOVER, DISBURSEMENTS			**REVENUES**		
Cost Center Expenditures:			Membership Fees	$	11,000.00
Regular Instruction	$	3140.00	Service Allocation Fees	$	23,570.00
Special Education	$	0.00			
Career & Tech Education	$	0.00	Other Fees:		
Other Instruction	$	0.00	Associate Members	$	0.00
Student & Staff Support	$	1000.00	Non-Members	$	0.00
System Administration	$	67,000.00			
School Administration	$	6640.00	Direct State Funding:	$	97,200.00
Transportation and Buses	$	0.00	Executive Director (55%)		
Facilities Maintenance	$	0.00	Student Info. System		
Debt Service & Other Commitments	$	0.00	Accounting/Payroll System		
All Other Expenditures	$	0.00			
Other Expenditures:					
Food Services	$	1100.00			
Carryover/Disbursements:	$	52,890.00			
TOTAL EXPENDITURES, CARRYOVER, DISBURSEMENTS	**$**	**131,770.00**	**TOTAL REVENUES**	**$**	**131,770.00**

Guidance on Regional Service Centers

Regional Service Center – Application Timeline

DATE	WHO	ACTION
Sept 29, 2017	DOE	Issue Guidance Issue 2-part application • Part I – Application • Part II – Application and ILA required contents Funds for facilitators available Funds for legal cost reimbursement available
By Nov 30, 2017	SAUs	Part I application due • DOE has to "freeze data" on Dec 1, which impacts the ED 279 (financial, staff, student). This allows the DOE to estimate the mill rate and estimate the local share of the cost of education for the statutory Feb 1 deadline.
By Dec 15	DOE	Respond to Part I applications • Additional funding for facilitator and legal costs
Dec – June, 2018	SAUs	Draft Regional Service Center Budget
By April 15, 2018	SAUs	Part II application due to DOE (ILA)
By June 12, 2018 (statewide election day)	SAUs	Local approval of Interlocal Agreement and Budget establishing Regional Service Center (Maine DOE Guidance 2/27/2018)

Regional Service Center Application

- **Part I** – Due by November 30, 2017
- **Part II** – Due by April 15, 2018

Maine DOE Funding for Planning

- $30,000 in funding is available for facilitation and/or legal cost reimbursement for regional groups of SAUs

Information and Resources

- **EMBRACE Regionalization Information Center**
- Regionalization Coordinator, Finance; Deb Lajoie – deborah.j.lajoie@maine.gov
- Regionalization Project Manager; Jennifer Pooler – jennifer.g.pooler@maine.gov

Questions and Answers about Regional Service Centers (RSC)

Please note: *Additional questions and answers will be added to this document as necessary.*

Membership

Q-M1. The statute requires the Commissioner to "determine 9 to 12 geographic areas for the establishment of each school management and leadership center." How will these areas be determined?

Answer (Per Maine DOE Guidance **on 12/15/2017)**--The Commissioner's decision is to affirm and build upon the nine superintendent association regions and existing collaborative relationships and regional efforts.

The geographic areas, pending further action are:

1. AROOSTOOK COUNTY (potential to subdivide further)
2. PENQUIS
3. WASHINGTON COUNTY
4. HANCOCK COUNTY
5. MID-COAST
6. WESTERN MAINE
7. CUMBERLAND COUNTY
8. KENNEBEC VALLEY
9. YORK COUNTY
10. STATEWIDE, at-large

While these geographic areas provide the outline of the regional partnerships, membership in a regional service center does not, under statute, require the member to be physically located in the area's geographic boundary. The Commissioner has further determined that more than one regional service center may be formed in a geographic area. Such formation should be guided by a desire to create long-term, enduring partnerships, and to avoid creating redundant services within the same geographic area.

Answer (prior to 11/30/2017)--The Commissioner will designate the areas informed by the applications received by the Department. The 9 - 12 number is meant to signal the size and significance of the centers statewide, and to provide geographic coverage across the state's student population. The Commissioner may designate an area if there is a gap.

Q-M2. What happens if one or more prospective members do not obtain local approval on the interlocal agreement to establish or join the regional service center by June 12, 2018?

Answer (Per Maine DOE Guidance **on 12/15/2017)--**The Department remains committed to the goal that initial regional service centers are operational by July 1, 2018, and encourages all applicants to pursue this timeframe.

In the event that there are applicants with member SAUs that are unable to gain local approval in time for July 1, the Department will consider on a case by case basis whether it makes sense to hold the individual SAU Regionalization and Efficiency Assistance allocations for a reasonable amount of time to allow local school communities to reach agreement. In such an instance, the Department will proceed as follows:

- The Regionalization and Efficiency Assistance allocation calculated for each participating SAU on the ED 279 will be held by the Department, pending the negotiation of an agreement between the Department and each SAU.
- In the agreement, the member SAUs will outline the steps that will be taken during the 2018-2019 fiscal year to finalize the regional service center, and laying out milestones that the member SAUs commit to meeting by certain dates to keep the progress on track.
- In the event that the milestones are met and local approval of the regional service center occurs by the deadline established in the agreement, the DOE shall make the entire Regionalization and Efficiency Assistance allocation available to each member SAU that joins the proposed regional service center and agrees to purchase at least two services from at least two distinct categories.

Answer (prior to 11/30/2017)--The interlocal agreement should address this in the section that establishes the process for local approval of the regional service center.

Q-M3. What happens if a member SAU does not meet, in any given year, the minimum criteria to qualify as a member of the RSC?

Answer--The interlocal agreement should state the member obligations and what happens within the RSC if those obligations are not met.

At the State level, if an SAU does not purchase a minimum of one service from one funding category of service and a second service from a different funding category, in any given year, it will not be eligible for the Regionalization Efficiency Assistance allocation.

Q-M4. Can the members of a school union or alternative organizational structure (AOS) form or join a regional service center and receive the financial incentives?

Answer--Individual member SAUs of a school union or AOS may become members of a regional service center, or the members of the school union or AOS may dissolve the school union or AOS to form a new regional center.

Q-M5. Is it permissible for an SAU to be a member of more than one regional center, even if one is not close by?

Answer--According to statute, SAU's may be members of an unlimited number of RSCs; however, the Commissioner encourages each RSC to maintain a flexible menu of services that reflect the needs of the members. Membership in a regional service center does not require the member to be physically located in the regional service center's geographic boundary.

Note: While an SAU may be a member of more than one service center, they are only eligible for one RSC subsidy allocation.

Q-M6. Can the interlocal agreement state that membership dues are associated with the services purchased from the regional service center (i.e., fee for service)?

Answer--Member dues and **c**ost-sharing provisions, such as fee for service, are determined by the members and are included in the interlocal agreement.

Q-M7. What is the process for additional SAUs to join an RSC prior to the Part II application submission?

Answer--The regional service center Part I applicants should agree to accept the new school administrative unit into the RSC for the Part II application. After that occurs, the lead applicant and any new SAUs should notify the Department for informational purposes, by a joint email, of the new SAU's intent to join the RSC for the Part II application.

Q-M8. If an SAU was listed as a member of an RSC in Part I of the application, and either plans to withdraw from the application process or join a different RSC in Part II of the Application, how should the SAU proceed?

Answer--If an SAU has decided not to move forward as a member of an RSC in a Part II application, they should notify the lead applicant. After that occurs, the SAU should notify the Department by email of their decision.

If the SAU intends to become a member of a different regional service center Part II application, they should follow the process described in Q-M7 for additional SAUs to join the RSC in the Part II application process.

Q-M9. Will the Department review and approve a completed Part II Application and interlocal agreement before the April 15, 2018 deadline?

Answer--The Department encourages an applicant to submit a completed Part II Application for review and approval prior to April 15. The Department will review applications on a rolling basis and provide feedback in a timely manner so that SAUs may proceed with the necessary steps to complete and obtain local approval of their interlocal agreements.

If the applicant has questions prior to completion of the Part II Application, the Department would be happy to provide guidance.

Q-M10. What is the process for obtaining local approval for an interlocal agreement to establish a regional service center?

Answer--The Department issued updated guidance on local approval for an RSC on 2/27/2018. Previous guidance stated that each SAU member of an RSC must hold a referendum on their interlocal agreement; however, a recent review of applicable statutes provides that local practices and each SAU's structure will determine the approval process for an RSC interlocal agreement. Specifically:

Approval by town meeting
For a regional school unit (RSU), school administrative districts (SAD), community school district (CSD) or municipal school unit that has a town meeting to approve the annual school budget, a referendum is not required to approve an interlocal agreement establishing an RSC. These types of SAUs can obtain local approval of the interlocal agreement establishing an RSC at the annual school budget meeting.

Approval by referendum
There is no change to guidance for cities and charter municipalities that do not approve the annual school budget at an annual budget meeting. For SAUs in this category a referendum vote to approve an interlocal agreement establishing an RSC will be required on the June 12, 2018 statewide election day.

Q-M11. Can two or more SAUs create an RSC simply by building upon programs and/or services they are currently sharing?

Answer--Yes, the Department wishes to honor those existing partnerships and collaborative efforts. However, the SAUs will need to formalize the partnerships by establishing a regional service center pursuant to the criteria in Chapter 123.

Finance

Q-F1. Can a regional service center borrow funds or bond on behalf of the member SAUs?

Answer--The regional service center has the authority to borrow, expend, and accept funds on behalf of the member SAUs. The interlocal agreement must specifically address the process by which the regional service center is authorized to issue bonds and notes for school construction purposes.

Q-F2. Please clarify the direct state funding available to a regional service center.

Answer--An approved regional service center that provides at least two different services from at least two different funding categories will receive 55% of the executive director's salary and benefits, 100% of the cost of an accounting and payroll system, and 100% of the cost of a student information system. In year one, prior to actual costs, direct state funding will be based on estimates related to the three components.

For school year 2019-20 and subsequent years – Each regional service center will receive direct state funding based on actual component expenditures.

Q-F3. What does "at least two different services from at least two different categories of service" mean?

Answer--In order to receive direct state funding as described in Q-F2 above, a regional service center must provide a minimum of one service from one funding category of service and a second service from a second funding category of service. For example, a regional service center sharing costs for a regional special education director for a 3- and 4-year-old program under Category 1 and regional transportation services for homeless youth under Category 4 would meet the requirements for direct state funding.

Q-F4. How can an SAU that has already regionalized some services or programs become eligible to receive the Regionalization and Efficiency Allocation incentive?

Answer--SAUs that submit an RSC application that meets the criteria set forth in Chapter 123 is eligible for the Regionalization and Efficiency Assistance allocation.

Q-F5. The application timeline is very tight; why are Part I applications due so soon?

Answer--The Department must freeze all data (financial, staff, student) that has a potential impact on the ED 279s on December 1 of each year. This allows the Department time to estimate the statewide mill rate and estimate the local share of the cost of education by the statutory February 1 deadline.

If an SAU is planning to become a member in a regional service center, a Regionalization and Efficiency Assistance adjustment will need to be estimated prior to December 1 in order to be reflected on their ED 279.

Q-F6. What is the timeline for the phase-out of the per-pupil system administration allocation? (Revised 10/17/17)

Answer--

- During FY 2017-18, all SAUs are receiving a $135 per-pupil allocation for system administration.
- In FY 2018-19, all SAUs will receive a $92 per-pupil allocation for system administration. If an SAU is a member of a regional service center, they will also receive an additional $46 per-pupil allocation for Regionalization and Efficiency Assistance. As with the current system administration per-pupil allocation, districts will be able to use those funds at their own discretion.
- In FY 2019-20, all SAUs will receive a $47 per-pupil allocation for system administration. If an SAU is a member of a regional service center, they will also receive an additional $94 per-pupil allocation for Regionalization and Efficiency Assistance. As with the current system administration per-pupil allocation, districts will be able to use those funds at their own discretion.
- In FY 2020-21, the per-pupil allocation for eligible SAUs is to be determined by the Commissioner based on a statewide review of system administration costs of high-performing, efficient SAUs.

Q-F7. Please explain the penalty for SAUs that do not join a regional service center. (Revised 10/17/17)

Answer-- There is no penalty. The biennial budget that passed in July 2017 included changes that reduced the amount of money allocated to all school districts for system administration while increasing the weight of other factors more closely connected to student instruction. The net effect of these two changes is that overall funding will increase for most districts. SAUs that form or join regional service centers – which are voluntary, flexible, and can offer services based on districts' needs or desires – will be eligible for Regionalization and Efficiency Assistance.

Q-F8. Is there an expectation from the DOE that all monies in Section 5 of the ED 279 designated as Regionalization and Efficiency Assistance be spent on the RSC or is this discretionary?

Answer--The allocation in Section 5 of the current 2018-19 ED279 is based on the SAUs membership in a regional service center as noted in RSC applications - Part I. The Regionalization and Efficiency Assistance is revenue to the SAU's general fund and therefore can be used at the discretion of the SAU.

Q-F9: How will Maine DOE distribute the RSC direct state funding?

Answer--Maine DOE will distribute year one direct state funding, currently set at $97,200.00, to RSCs by manifest. The year one start-up funding will be distributed to RSCs that successfully meet Part II application requirements, receive the Commissioner's approval and the voters' approval as specified in the interlocal agreement. Reference - 20-A §3805.

Q-F10: How will RSCs account for any earnings in a year?

Answer--RSCs should define a balanced budget in their interlocal agreements along with the method of determining the return of any surplus funds to members. RSCs must have a balanced budget pursuant to 20-A M.R.S §3802(10). Funds remaining after a balanced budget should be used to improve or add to the RSC services, placed in reserve, or be distributed to RSC members.

Q-F11: How will RSCs report finances to Maine DOE?

Answer--RSC reporting requirements to Maine DOE are the same as an SAU's reporting requirements. View Maine DOE's Finance home page.

Q-F12: What are the revenue and expense code for RSCs?

Answer--The Department continues to work on the fund codes for the RSCs and are in conversations with US DOE to finalize our guidance.

Q-F13: What are the requirements for an RSC's Chart of Accounts?

Answer--An RSC's Chart of Accounts will be established using the same account coding structure found in Maine DOEs Accounting Handbook and Model Chart of Accounts.

Q-F14: How/When will ED279's be regenerated for districts that join an RSC for the Part II application that were not listed as members on the original Part I application?

Answer--SAUs that are applicants of a Regional Service Center Part I application are currently appropriated the allocation for the Regionalization and Efficiency Assistance on the ED279 generated for February 1, 2018.

To accommodate any changes in regional service center membership that may occur between Part I and Part II RSC applications, the Department will make 2018-19 ED279 Regionalization and Efficiency Allocation adjustments on July 1, 2018.

In the event that there are applicants with member SAUs that are unable to ratify interlocal agreements in time for July 1, the Department will consider, on a case by case basis, whether it makes sense to hold the regional center subsidy for a reasonable amount of time to allow local school communities to reach agreement. In such an instance, the Department will proceed as follows:

- The subsidy adjustment calculated for each participating SAU on the ED 279 will be held by the Department, pending the negotiation of an agreement between the Department and each SAU.
- In the agreement, the member SAUs will outline the steps that will be taken during the 2018-2019 fiscal year to finalize the regional service center, and laying out milestones that the member SAUs commit to meeting by certain dates to keep the progress on track.

In the event that the milestones are met and ratification of the regional service center occurs by the deadline established in the agreement, the DOE shall make the entire subsidy adjustment available to each member SAU that joins the proposed regional service center and agrees to purchase at least two services from at least two distinct categories.

Governance

Q-G1. What is the penalty if we dissolve our AOS and form a regional service center?

Answer--There is no penalty for dissolving an AOS.

Q-G2. What happens to the local school board/committee when an SAU becomes a member of a regional service center?

Answer--Membership in an RSC does not change the local governance structure of local schools; the local school board/committee retains its governance of local schools.

Q-G3. What is required in regards to the governance of a regional service center?

Answer--The statute does not prescribe how the RSC is to be governed; the members have the flexibility to create a structure and representation that works for them.

Part I of the Application asks for the ***concept*** of the structure and governance of the regional service center and its purposes, functions, programs and services.

Part II of the Application requires the specified structure and governance of the regional service center and its purposes, functions, programs and services. And, the interlocal

agreement requires the regional service center board composition, election or appointment of officers, board member terms and method of voting.

Employment

Q-E1. What are the qualifications/credentials for the executive director?

Answer--The qualifications and/or credentials of the executive director are determined based on the services and functions that the RSC provides. Members of the RSC may determine additional qualifications or credentials for their regional service centers.

Q-E2. Can an SAU keep its superintendent after becoming a member of a regional center?

Answer-- An SAU may pay for full or part-time superintendent services. However, if specified in the interlocal agreement, an SAU may elect to share the service with the other members of the regional service center. Membership in a regional service center does not require an SAU to share superintendent services.

Q-E3. Can a member SAU's superintendent serve simultaneously as the executive director of the regional service center? And if so, will the regional service center receive 55% of this individual's salary and benefits? (Revised – 10/17/17)

Answer--The law allows members of the RSC to determine who will serve as the executive director, and there are likely several different solutions that will emerge based on local needs.

Fifty-five percent of the salary and benefits of the executive director position will be paid to the regional service center, regardless of who holds the position. The duties of the executive director position must be clearly specified in the interlocal agreement and may or may not include superintendent services.

Q-E4. There are several outstanding questions pertaining to employment by the regional service center, namely: the applicability of school employment law; state collective bargaining laws; and, whether employees of the regional center are covered by MainePERS or Social Security. How does the Department plan to provide guidance on these topics?

Answer--The Department will respond to questions related to employment as they arise for groups planning regional service centers.

Q-E5. Are RSC employees eligible for the Maine Public Employees State Retirement System teacher/administrator plan?

Answer--Maine DOE has drafted legislation for the 2nd regular session of the 128th legislative session to bring RSC employees under MainePERS teacher/administrator plan.

AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – AUGUST 15, 2018
REGULAR MEETING – 7:00 P.M.

Order No. 18-053. Move approval on the new request for a new Junkyard Permit from SVR New England, LP d/b/a Scarborough Recycling, located at 40 Holmes Road [New owner - formerly Scarborough Auto Parts]. *[Town Clerk]*

Town Clerk

Sponsor

Ought to Pass

Recommendation

08/15/18

First Reading/Vote

N/A

Public Hearing

N/A

Second Reading/Final Approval/Vote

Town of Scarborough, Maine
US Route One, PO Box 360
Scarborough, Maine • 04070-0360

TO: Members of the Town Council

FROM: Yolande P. Justice, Town Clerk

DATE: August 10, 2018

RE: **Renewal Requests for Automobile Graveyard and/or Junkyard Permit**

The following applicants are up for renewal for an Automobile Graveyard and/or Junkyard Permit:

Business	Address
SVR New England, LP d/b/a Scarborough Recycling, [New owner - formerly Scarborough Auto Parts]. *[Town Clerk]*	40 Holmes Road

Application is on file in the Town Clerk's Office and it is recommended that this application be approved.

AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – AUGUST 15, 2018
REGULAR MEETING – 7:00 P.M.

Order No. 18-054. Move approval on the new request for a Innkeepers License and a Food Handlers License from Giri Portland Mall, Inc. d/b/a Fairfield Inn Portland, located at 2 Cummings Road. [New owner – formerly Portland Ventures, LLC] *[Town Clerk]*

Town Clerk

Sponsor

Ought to Pass

Recommendation

08/15/18

First Reading/Vote

N/A

Public Hearing

N/A

Second Reading/Final Approval/Vote

Town of Scarborough, Maine
Town Clerk's Office
259 US Route One
PO Box 360
Scarborough, Maine • 04070-0360

TO: Town Council Members

FROM: Yolande P. Justice, Town Clerk

DATE: August 10, 2018

RE: Food Handlers and Innkeepers License

The following applicant is seeking approval on a new request for a Food Handlers License and Innkeepers License:

- Giri Portland Mall, Inc. d/b/a Fairfield Inn Portland, located at 2 Cummings Road. [New owner – formerly Portland Ventures, LLC]

The completed applications are on file with Clerk's Office and there are no outstanding issues and it is recommended that these licenses be approved. Licenses will be issued when applicants receive their Occupancy Permits.

AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – AUGUST 15, 2018
REGULAR MEETING – 7:00 P.M.

Order No. 18-041. Move approval of the second reading on the proposed amendments to Chapter 601 – the Traffic Ordinance, Section 25.A.1 to eliminate year round parking along a portion of the Black Point Road. *[Ordinance Committee]*

Ordinance Committee — *Ought to Pass*

Sponsor — Recommendation

06/06/18 Vote: 7 Yeas.

First Reading/Vote

06/20/18

Public Hearing

08/15/18

Second Reading/Final Approval/Vote

Chapter 601- the Traffic Ordinance

BE IT HEREBY ORDAINED by the Town Council of the Town of Scarborough, Maine, in Town Council assembled, that the following amendment to Chapter 601 – the Traffic Ordinance, of the Town of Scarborough, Maine, be and hereby amended as follows:

Section 25. Parking Restrictions.

A. PARKING RESTRICTIONS

I. NO PARKING AT ANY TIME.

No person shall park a vehicle in any of the following places except when necessary to avoid conflict with other traffic or in compliance with direction of a police officer or authorized person or traffic control device. [Amended 07/16/14]

(1) No all-night parking upon any street (year round) between the hours of 2 A.M. and 6 A.M.
(2) Upon the Pleasant Hill Road from U.S. Route One to the Rigby Road.
(3) Upon the westerly side of the Willowdale Road from U.S. Route One to the end of the Town right-of-way. (Parking permitted on the easterly side).
(4) Upon the Black Point Road from the Old Neck Road to Kirkwood Road. No parking on the Black Point Road from Ferry Road to the end of the Public Way at Prouts Neck. [Amended 11/16/94]
(5) Upon the Broadturn Road within 50' of U.S. Route One to end.
(6) Upon the Pine Point Road (Route #9) within 50' of U.S. Route One.
(7) Upon U.S. Route One from the South Portland line to the Saco line (both sides).
(8) No parking on the northerly side of Southgate Road for a distance of not less than 200 feet from the intersection of U.S. Route One. No parking on the southerly side of Southgate Road for a distance of not less than 60 feet from the intersection of U.S. Route One.
(9) Upon Pillsbury Drive (entire length).
(10) East Grand Avenue (east side) one parking space in front of 19 East Grand Avenue formerly; Colony Motel, no parking. [Adopted 10/6/76]
(11) Avenue One Extension (entire length – from King Street to the ocean). [Amended 6/7/89] [Amended 07/16/14]
(12) Upon Douglas Circle (from Pine Point Road to a point fifty feet beyond the start of the circle) both sides of the road. [Amended 08/01/90]
(13) On Elmwood Avenue from Greenacres Lane to the Dead End by Sewer Pumping Station. [Amended 08/01/90]
(14) Eastern Road (on the southerly side only, from Route 207 to the east, entire length. [Amended August 1, 1990]
(15) Orchard Street (upon the southerly side only) from U.S. Route 1 to Carriage Way. [Amended 08/18/04]
(16) Upon the southerly side (ocean side) the entire length of Eagles Nest Drive. [Amended 09/07/04]

(17) No parking along Bayview Avenue from Houghton Street to Pearl Street. (Adopted J01/20/10]

(18) No parking on north side of Gorham Road from 183 Gorham Road to the intersection of Gorham Road and Spring Street at number 209 and on the south side of Gorham Road from the westerly end of the stockade fence fronting on 200 Gorham Road, easterly for a distance of 50 yards. [amended 12/21/17]

(19) Within 50 feet of the southwest most corner of the entrance to or within 50 feet of the northeast most corner of the exit to the Scarborough Beach State Park located at 418 Black Point Road.

AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – AUGUST 15, 2018
REGULAR MEETING – 7:00 P.M.

Order No. 18-055. Move approval of the first reading and refer to the Planning Board the proposed amendments to Chapter 405 – the Scarborough Zoning Ordinance, Section VI. Definitions – Affordable Housing, to come back to the Town Council for a Public Hearing upon receipt of the recommendations of the Planning Board. *[Housing Alliance Committee]*

Housing Alliance Committee	*Ought to Pass*
Sponsor	Recommendation

08/15/18
First Reading/Vote

N/A
Public Hearing

N/A
Second Reading/Final Approval/Vote

SECTION VI. DEFINITIONS

BE IT HEREBY ORDAINED by the Town Council of the Town of Scarborough, Maine, in Town Council assembled, that Chapter 405 - the Zoning Ordinance of the Town of Scarborough, Maine Section VI. Definitions, is amended as follows:

Affordable Housing: [Adopted 11/03/2004] [Amended 05/03/2006][Amended 12/03/2014] [Amended ____/2018] Affordable Housing means decent, safe and sanitary living accommodations that are affordable to households, in accordance with following provisions:

A. An Owner-Occupied Affordable Housing Unit is a unit which (i) is occupied by its owner, (ii) is owned by a Qualifying Household and (iii) has a sales price that is reasonably anticipated to result in Annual Housing Costs that are less than or equal to 30% of the Imputed Income Limitation applicable to the unit.

For the purpose of this section:

(I) a~~A~~ Qualifying Household is one with a total household income that, at the time of purchase, is 80% or less than the most recently published Median Family Income for the Portland, Maine, MSA, for a family of four~~adjusted for family size~~, as determined by the U.S. Department of Housing and Urban Development (the "MFI Standard").

(II) ~~. For the purposes of this paragraph,~~ Annual Housing Costs shall equal the sum of (i) the total annual payments of principal and mortgage interest, (ii) the total property insurance premium, (iii) the real estate taxes due ~~and~~ (iv) any homeowners association or condominium fees that are due; and (v) a reasonable estimate of the annual cost of any additional water, sewer, heat, hot water and electricity in the home; and~~.~~

(III) ~~A Qualifying Household is one with a total household income that, at the time of purchase, is 80% or less than the most recently published Median Family Income for the Portland, Maine, MSA, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development (the "MFI Standard").~~ In the case of a unit which has ~~two~~one or fewer bedrooms~~does not have a separate bedroom~~, the Imputed Income Limitation shall be 80% of the MFI Standard for a household of ~~one~~ two (~~1~~2) ~~person~~people. In the case of a unit which has more than ~~two~~one bedrooms~~one or more bedrooms~~, the Imputed Income Limitation shall be 80% of the MFI standard for a household of four (4) people~~with a size equal to one and one half (1.50) people per bedroom~~.

~~Upon the sale of an Owner-Occupied Affordable Housing Unit, the owner of the unit shall obtain approval from the Town to transfer their unit to a new~~

~~buyer. In determining whether to approve the transfer, the Town shall determine whether the proposed buyer will be a Qualifying Household in accordance with these standards. The proposed buyer shall provide documentation, as reasonably requested by the Town, to support the transfer request. In granting the request, the Town shall be entitled to impose conditions upon the transfer to ensure that physical deficiencies and code violations are addressed and that delinquent property tax, water and sewer bills are paid.~~

B. ~~B.~~ Renter-Occupied Affordable Housing Unit is a unit occupied by a Qualifying Household at an Annual Gross Rent that is less than or equal to 30% of the Imputed Income Limitation applicable to the unit.

For the purposes of this ~~paragraph~~section:~~,~~

(I) A Qualifying Household is one with a total household income that, at the time of move-in, is 80% or less than the most recently published Median Family Income for the Portland, Maine, MSA, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development (the "MFI Standard"). To remain a Qualifying Household, the household's income must remain at or below 140% of the income limitation described in the preceding sentence.

~~Households shall certify to Owners of Renter-Occupied Affordable Housing Units that they continue to qualify based on these standards on an annual basis and shall provide documentation to support their certification upon the reasonable request of the Town through the Town Manager. Owners of Renter-Occupied Affordable Housing Units shall be required to certify that these units continue to be occupied by Qualifying Households on an annual basis to the Town Manager and in so certifying shall be entitled to rely upon the household certifications described in the preceding sentence;.~~

(II) Annual Gross Rent shall equal twelve (12) times the sum of (i) monthly rent due to the landlord, (ii) any required monthly payments to the landlord for additional services or facilities and (iii) a reasonable estimate of the monthly utility costs (~~excluding~~ not including television, internet~~cable~~ ~~and~~ or telephone) that the household is responsible for paying; and~~.~~

(III) ~~A Qualifying Household is one with a total household income that, at the time of move-in, is 80% or less than the most recently published Median Family Income for the Portland, Maine, MSA, adjusted for family size, as determined by the U.S. Department of Housing and Urban Development (the "MFI Standard"). To remain a Qualifying Household, the household's income must remain at or below 140% of the income limitation described in the preceding sentence.~~ In the case of a unit which does not have a separate bedroom, the Imputed Income Limitation shall be 80% of the MFI Standard for a household

of one (1) person. In the case of a unit which has one or more bedrooms, the Imputed Income Limitation shall be 80% of the MFI standard for a household with a size equal to one and one half (1.50) people per bedroom.

AGENDA
SCARBOROUGH TOWN COUNCIL
WEDNESDAY – AUGUST 15, 2018
REGULAR MEETING – 7:00 P.M.

Order No. 18-056. Move approval on the request to authorize acceptance of $1,000.00 or any portion thereof, to be placed in the Asset Forfeiture Account and to authorize the Town Manager to sign any and all necessary documents. [This money is the Police Department's equitable share for its contribution to the investigation of criminal cases]. *[Police Chief]*

Police Chief	*Ought to Pass*
Sponsor	Recommendation

08/15/18

First Reading/Vote

N/A

Public Hearing

N/A

Second Reading/Final Approval/Vote

JANET T. MILLS
ATTORNEY GENERAL

TEL: (207) 626-8800
TTY USERS CALL MAINE RELAY 711

STATE OF MAINE
OFFICE OF THE ATTORNEY GENERAL
6 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0006

REGIONAL OFFICES
84 HARLOW ST. 2ND FLOOR
BANGOR, MAINE 04401
TEL: (207) 941-3070
FAX: (207) 941-3075

415 CONGRESS ST., STE. 301
PORTLAND, MAINE 04101
TEL: (207) 822-0260
FAX: (207) 822-0259

14 ACCESS HIGHWAY, STE. 1
CARIBOU, MAINE 04736
TEL: (207) 496-3792
FAX: (207) 496-3291

July 17, 2018

Scarborough Police Department
Chief Robert Moulton
246 US Route 1
Scarborough, ME 04074

RE: State of Maine vs. John Davis
Cumberland County Unified Criminal Court Doc. No. CR-17-5960
Criminal Forfeiture
Required Vote of Municipal Officers/Approval of Transfer of Forfeiture Assets

Dear Chief Moulton:

Enclosed please find a draft Approval form for submission to the municipal officers.

Please inform the municipal officers that:

A. 15 M.R.S.A. §5824(3) requires that, before any forfeitable item may be transferred to a State Agency, County or Municipality, the municipal legislative body must publicly vote to accept the item(s) **if subsequently ordered forfeited by the Court**;

B. Under Rules issued by the Department of the Attorney General, a public vote must be made on each forfeiture "approval" and a "continuing resolution" of approval cannot be accepted;

C. As with all forfeitures, an approval of a transfer by the municipal legislative body does not guarantee either that the Defendant(s) *In Rem* will in fact be forfeited or, if forfeited, that the Court will order the item(s) transferred to the approving Department, Agency, County or Municipality. The municipal legislative body's approval only signifies that, if the Defendant(s) *In Rem* are in fact ordered forfeited and, if the Attorney General and the Court agree to a transfer of all or part of the Defendant(s) *In Rem* to a Department, Agency, County or Municipality based upon the "*substantial contribution*" of that Department, Agency, County or Municipality, then that entity is in fact, willing to accept the Defendant(s) *In Rem* or portions thereof. In order to streamline what is otherwise a cumbersome forfeiture process, it is our practice to seek State, county or

municipal approval in anticipation of the final order of forfeiture. However, final forfeiture is not guaranteed and both the municipal legislative body and the law enforcement agency involved are **cautioned** that they **should not encumber** funds or property until a Final Order granting them lawful title to the property is delivered to them;

D. Under the provisions of the Forfeiture Statute, if the municipal legislative body fails to approve a transfer in a timely manner, any forfeited items shall be transferred to the State of Maine General Fund.

Assuming your municipal legislative body does grant its approval, kindly see to it that the accompanying form is signed by the appropriate person and is "embossed" with the seal of the municipality. Then, please return the **original** to me for filing, and retain a copy for your records.

My sincere thanks for your attention to this matter. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Johanna Gauvreau
Assistant Attorney General
CRIMINAL DIVISION

Enclosure

STATE OF MAINE
Cumberland, ss

UNIFIED CRIMINAL COURT
Docket No. CR-17-5960

State of Maine

v.

John Davis,
Defendant;

And

$790.00 U.S. Currency
Defendant(s) In Rem #1

$5,000.00 U.S. Currency
Defendant(s) In Rem #2

Municipality of Scarborough
Approval of Transfer
15 M.R.S.A. §5824(3) & §5822(4)(A)

NOW COMES the municipality of Scarborough, Maine, by and through its municipal officers, and does hereby grant approval pursuant to 15 M.R.S.A. § 5824(3) & §5826(6) to the transfer of the above captioned Defendant(s) in Rem #2 ($1,000.00 U.S. Currency), or any portion thereof, on the grounds that the Scarborough Police Department did make a substantial contribution to the investigation of this or a related criminal case.

WHEREFORE, the municipality of Scarborough, Maine does hereby approve of the transfer of the Defendant(s) In Rem, or any portion thereof, pursuant to 15 M.R.S.A. § 5824(3) & §5826(6) by vote of the Scarborough municipal legislative body on or about _____.

Dated: _____

_____
Municipal Officer
Scarborough, Maine
(Impress municipal legislative body seal here)